

PD ARK-895  
94073

## PROJECT ASSISTANCE COMPLETION REPORT

- A. Project Title and Number: Cooperative Management Strengthening  
515-0248
- B. Implementing Agency: Agricultural Cooperative Development International  
(ACDI)
- C. PACD: Original 3/31/92  
Revised 9/30/92
- D. Amount Obligated: \$1,000,000 (Grant)
- E. Total Expenditures: \$998,773 (Grant)

## I. PROJECT GOAL

The goal of the project was to strengthen agricultural cooperatives and commodity producers' associations which export their products in search of higher incomes, in the areas of improved administration and financial stability.

## II. PROJECT DESCRIPTION

### A. Major Outputs and Accomplishments

#### 1. The major LOP outputs were:

- a. Graduating farmers from a traditional subsistence economy to a production and/or marketing oriented economy.
- b. Intensify and diversify non-traditional agricultural production and improve the marketing "linkages" between Costa Rican agrobusinesses and limited resource farmers in selected areas of the country.
- c. Credit management assistance to the thirty-three member cooperatives which make up the Costa Rican Federation of Coffee Cooperatives (FEDECOOP) and to strengthen management and marketing to both FEDECOOP members and to independent cooperatives which are involved with non-traditional agricultural exports (NTAE).

#### 2. Final Outputs

ACDI has worked with 22 of the 33 coffee cooperatives and with FEDECOOP. Only 6 cooperatives were not visited; three of these are in the process of closing. ACDI prepared or contributed significantly in the preparation of action documentation for 13 cooperatives (Feasibility Studies in support of loan requests).

Twenty-four of the 33 cooperatives which were interested in obtaining credit from the trust through the participating banks made applications for 686.3 million colones. As of April 30, 1991, only eight had been recommended to the banks for loans totalling 94.8 million colones. By the same date, 34.0 million colones had been disbursed. Of the 24 cooperatives originally contacted, four responded that they were not interested although they had originally stated that they needed 39.1 million colones. Additionally, one cooperative decline to use an approved loan.

In the processing and marketing of non-traditional products, the impact of ACIDI's interventions on client institutions was significant. In the case of COOPECHAYOTE, this cooperative is now handling more than 30% of the total production of *chayotes* for export, and Costa Rica has 75% of the North American market. This means that the Cooperative has a 20% market share of all exports to the U.S. The refrigeration plant will allow the Cooperative to double its processing volume and market presence in the U.S. This is not only due to the plant but also to the development of a new market in the U.S. and to the use of improved seeds resulting in a better quality product. Other outcomes resulting from the project are: a reduction of about 50% in processing costs; an increase of about 25% in the volume processed daily; improved quality as a result of less handling during processing; an enhanced image and more confidence in the plant and the possibility of developing improved, disease resistant, varieties of *chayotes*.

The second case is the Fruit Production Association of the Pacifico Central (ASOFRUPAC). The cooperative's documentation indicates that in 1990 about 4,000 hectares were planted with mangoes in Costa Rica. Sixty-five percent of this area --that is 2,600 hectares-- was planted to exportable varieties, and by 1992, the Association accounted for 1,000 hectares planted. By that date, 45% of these plantings, or 450 hectares, were in full production.

When the project was prepared, ASOFRUPAC marketed the production of its members through Del Monte/PINDECO under a contract which expired December 1993. As a result of information provided by in the feasibility study and the advice of ACIDI, ASOFRUPAC was able to cancel the contract and negotiate another yearly agreement with BANACOL under much more favorable terms. Some of the contract improvements include: 20 cents more per box than the PINDECO price; access to export incentives which amount to 15% of the FOB Limón value; a reduction in the price of boxes from 56 cents to 43 cents each; a line of credit of 3.5 million colones annually for the purchase of inputs and another \$12,000 for the purchase of equipment at international interest rates. A plant for heat treatment processing has not been constructed although the Inter-American Development Bank has shown some interest.

A third case is the production of mini-vegetables. Despite having only 40 members, ADAPEX produced approximately 90% of the national volume. The association's production is exported by air. The advisor provided by ACIDI helped the association determine how to abstain from the use of herbicides and fungicides banned by USDA. For example,

with his help members no longer plant corn and vegetables in the same plots. (Herbicides banned on mini-vegetables are used on corn). Also, the plant density of lettuce improved, and doses of fungicides have been reduced. The international training provided by ACDI (discussed in more detail below) clearly has given good results and the effects are apparent. It is important to point out that the training for the coffee cooperatives was not only oriented to improving skills but also designed to change attitudes and create a more businesslike mentality among the participants. In this regard, the cooperatives' members received technical materials prepared on the subjects of budgets, financial analysis and the preparation and evaluation of projects.

**B. Other Accomplishments and Overall Status**

ACDI sponsored four observation trips to Florida State, Mexico, California, and Indiana. Nineteen participants, accompanied by ACDI technical staff visited producers' associations, farms and buyers.

Through these trips, many cooperative members such as ASOFRUPAC and COOPECHAYOTE obtained technical production and marketing information to draft feasibility studies, and some of them found new markets for their products. Board members of ADAPEX came to recognize the production and export potential of mini-vegetables and found suppliers of improved seeds. The President of ADAPEX returned to the U.S. on his own to pursue the contacts he had made and to open other possibilities for international sales.

In Costa Rica, ACDI organized two Cooperative Financial Strengthening Seminars (coffee) and a Meeting for Cooperative Exchange; a series of 18 lectures about organization, finance and marketing for ADAPEX; and 9 technical lectures on pesticides, fungicides and herbicides, also for ADAPEX. A total of 200 participants attended these activities. ACDI prepared two very good papers to support its management training work which were published in May 1991 as Summarized Guide to Investment Projects Evaluation and Financial Analysis. It also helped FEDECOOP in revising the Model Budget for a Coffee Producers' Cooperative.

In general, ACDI selected its clients based on the likely impact its assistance would yield in a cooperative or association involved in non-traditional exports. An important variable in this respect was the willingness of the boards of directors and management to introduce important changes reflecting a more businesslike mentality. ACDI's decision to work with ADAPEX was also based upon the fact that ADAPEX represented a very poor area where the potential impact of non-traditional exports would include significant social benefit as well as the possibility of replication.

Mentioning it again will help stress the fact that in addition to influencing technical decisions relating to management and agricultural production, ACDI's activities were aimed at changing the mentality of the participants. This was a far-reaching and long-range task. The aim was that associations and cooperatives should view their organizations as real commercial ventures. In this sense, the impact of these activities will have to be measured in the long run.

ACDI maintained good working relationships with all its client institutions. With two of them, FEDECOOP and UNIBANC, ACDI has renegotiated continuing agreements for providing technical services, and with CINDE it has achieved a *modus operandi* which benefits both institutions.

ACDI is well thought of in the Rural Development Office of AID. The same holds true with COFISA, BANCOOP and the Banco Federado. The general opinion is that the assistance provided to the cooperatives and associations has been consistent with their needs and individual requirements. The cooperatives and associations have commented on their satisfaction with ACDI's work. Through the work done, the projected outcomes have been surpassed in nearly every aspect with the exception of the area of supervision and recuperation of funds disbursed for coffee renovation credit and financial stability of the cooperatives.

### C. Project Administration Status

1. In January 1990, USAID modified the budget eliminating technical assistance in coffee production credit and increasing the items for the purchase of equipment, short-term technical assistance and the training of local technical staff. In February, USAID modified the trust with FEDECOOP and increased the grant to ACDI by about \$200,000 for the purpose of hiring a local financial advisor for a period of 33 months.
2. The original agreement called for a mid-term evaluation to be performed 18 to 24 months after the start of the project. This evaluation was done in compliance with this provision. Hence, on March 1991, a mid-term evaluation was performed and in May 1991 an evaluation report was presented to AID. Results/recommendations of this evaluation were:
  - a. ACDI should review the purposes, objectives and goals to be met by March 31, 1992 to ensure that they can be met adequately. All activities of the project should be oriented exclusively to complete them.

- b. The project should give priority to those organizations involved with non-traditional exports whose possibilities for impact are greatest and can "finish" a program of assistance by March of 1992 --or at least have access to technical assistance from other sources providing continuity to the work of ACDI.
  - c. ACDI should request AID to reprogram grant funds to cover the costs of training and short-term technical assistance.
  - d. ACDI should continue the studies it started to support the recovery of delinquent loans in coffee renovation.
  - e. FEDECOOP and ACDI should again analyze the real credit demand of the coffee cooperatives to determine the total utilization of funds of the Trust and offer alternatives for placing these funds.
  - f. ACDI should develop a proposal for extending the grant agreement for presentation to AID during the final quarter of this year. The delays which occurred in the early part of the project, preliminary impacts which are now evident and the possibilities for further strengthening and cementing those achievements with little additional financing, justify an extension of the project by at least 18 to 24 months.
3. The first 15 months of project implementation had been severely hampered by a reduction in the level of technical effort, by the lack of technical assistance in coffee renovation credit, by distractions in solving problems with FEDECOOP and by delays in contracting local staff. This initial delay definitely had an effect on the project results. However, the evaluation showed that related problems were partially overcome by the dedication and hard work of the staff which stuck with the project before and after the modifications described in paragraph 1. above. With the exception of the time spent by the External Advisor in Coffee Credit which terminated in October 1989, the resources of the project were well used.

The project was adequately managed by the Chief of Party and the Head of Technical Assistance. Operationally, they divided the work in such a way that the Chief of Party dedicated more time to relations with AID, UNIBANC, and other institutions, while the Head of Technical Assistance "took care of the shop" and attended relations with FEDECOOP.

### III. CONCLUSIONS

Particularly at the beginning, the project faced several developments which limited its ability to produce results. These events and their impact on project activities are well documented in the files of ACDI in Costa Rica. While these events delayed the initial provision of project services, it is clear that the assistance provided to the cooperatives and associations was consistent with their needs and individual requirements. The cooperatives and associations visited commented on their satisfaction with ACDI's work.