Contract No.522-0383-C-00-5296-00

MID TERM EVALUATION OF THE SMALL FARMER AGRIBUSINESS DEVELOPMENT PROJECT

Prepared for:

The United States Agency for International Development
Honduras

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OUTLINE OF BASIC PROJECT IDENTIFICATION DATA

1. Country: **Honduras**

2. Project Title: **Small Farmer Agribusiness Development project**

3. Project Dates:

   a. First Project Agreement: **June 23, 1992**
   b. Final Obligation Date: FY 97
   c. Most recent Project Assistance Completion Date (PACD): **February 23, 1998**

4. Project Funding:

a. USAID Bilateral Funding (grant)	**US$ 6,500,000**
b. Other Major Donors	**US$ 0**
c. Host Country Counterpart Funds	**US$ 6,560,000**
TOTAL	**US$13,060,000**

5. Mode of Implementation: **Host country implementing agency with technical assistance contract with Agricultural Cooperative Development International/ACDI**

6. Project Designers: **Chemonics, USAID/Honduras, and the Government of Honduras**

7. Responsible Mission Officials:

   a. Mission Director(s): **Marshall Brown from June, 1992 to present**
   b. Project Officer(s): **Delbert McCluskey from June, 1992 to June, 1993, Albert Merkel, from August, 1993 to present**
   c. Project Manager: **Lee Arbuckle from June, 1992 to present**

8. Previous Evaluation(s): **None**

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EXECUTIVE SUMMARY

A. Development Objectives of the Project:

The are three broad development objectives involving participant farmer-owned businesses (FOBs): increase agricultural production, add value to the raw material through processing, and increase agricultural exports. The implementing agency is the Finance Corporation for Agricultural Cooperatives (FINACOOP).

B. Purpose of the Evaluation:

The first mid-term evaluation of the Small Farmer Agribusiness Development Project (SFAD) has the following purposes, as stated in the Terms of Reference:

- Review the progress towards End of Project Status (EOPS) indicators and assess whether the EOPS indicators are still valid and relevant
- Review the assumptions in the Logframe and assess if the assumptions are still appropriate to project implementation
- Identify problems and successes affecting project implementation and propose solutions to problems to improve the effectiveness and efficiency of project implementation
- Review whether the project will support the achievement of the Mission Strategic Objective # 1: Enhanced Economic Participation and Increased Incomes of the Poor.

C. Study Methodology:

The major concerns to be addressed in the evaluation, consisting of ten key questions, are classified in three areas: End of Project Indicators and Other Project Paper Issues, Project Implementation Issues, and Other Mission Issues.

At the request of the USAID/ANR Office, the discussion of the different questions in a Section is followed by a brief statement of the Findings, any Recommendations if relevant, and finally a Conclusion of the effect the Recommendations would have upon implementation.

The three-person evaluation team utilized a methodology which stressed interviews with key actors in the project's implementation and site visits. The visits were made to FOBs which have been participating for more than one year, some that initiated activities within the last 12 months, and several that have been suspended or disqualified from continuing in the project. To the degree possible, interviews were done with cooperative Board members and management staff. FINACOOP staff arranged for and were present in these meetings, as were usually the USAID project assistant and a member of the advisory team.

Interviews were conducted with Board members and FINACOOP staff, the permanent technical assistance team, relevant USAID personnel, local institutions connected with the project or with similar activities, and personnel from AIFLD and an agricultural policy project.

Detailed information and numerical data were provided by FINACOOP, USAID, and the technical assistance team. The evaluation team did not assemble data from other primary sources.

A preliminary draft report was presented and discussed with both USAID and FINACOOP personnel before two of the evaluators left country, and a final draft was presented and discussed before the last evaluator departed. The report was finalized in English by the consulting firm's home office (the draft translation into Spanish was done by FINACOOP).

D. Findings, Recommendations, Conclusions, and Lessons Learned

Section I. EOPS Indicators and Other Project Paper Issues

FINDINGS

1) Quantitative indicators are useful in determining Project impact and for focusing the Project purpose on tangible results. However when quality factors become important and basic activities change, quantitative progress indicators lose their comparative base. The Project does have a positive impact on production, employment, foreign exchange and value-added processing, but most participating service-oriented FOBs will not register much impact on these indicators during the Project's duration, except for processing. At best the PACD indicator values would reach $5 million for foreign exchange and $5 million for value-added.

2) In terms of program operations, the Project is progressing satisfactorily after having suffered severe initial delays. However, these EOPS indicators were too ambitious to be reasonable targets. Furthermore, the meaningful measurement of agricultural production and employment would be onerous to maintain as a continual task for FINACOOP.

3) All reports prepared for the data bases by the SFAD project use gender disaggregated data; currently the data base for training participants is being developed and a pattern of women's attendance at the training activities will be monitored. Most of this type of available data relates to employment in the cooperatives and not to information about women's participation as members of cooperatives. It must be noted that these data are not differentiated, and therefore their relevance is limited.

RECOMMENDATIONS

1) The quantitative values of the EOPS indicators should be modified to reflect the Project's implementation capability and its limits. For example, the indicators of FOB viability should be the focus of judging the access of small farmers to agribusiness system services. Another factor to consider is the difficulty in compiling reliable data, such that the collection of information be manageable and not overly time-consuming. FINACOOP should initiate this effort of review, redefinition, and quantification with the technical assistance team, in consultation with USAID's technical office.

CONCLUSIONS

1) More realistic results and output indicators and their respective targets will focus Project efforts on priority activities during the time remaining in the Project.

LESSONS LEARNED

1) Multi-year projects run the risk that future governments, implementation agencies, or natural events in the local and world economy will change the policy environment or influence the implementation in ways unforseen during the drafting and approval process of a project paper. Therefore project benchmarks and progress indicators should be closely related to those factors that are capable of being modified by project implementers and be as independent as possible from exogenous variables.

Section II. Project Implementation Issues

FINDINGS

1) FINACOOP's administrative restructuring program is soundly managed under the guidelines set out in the Project Agreement. However, the program could be improved in two important areas:

a) FINACOOP has never established clear-cut objectives for the overall development of the participating groups, therefore it is not clear when they can graduate from the FINACOOP restructuring program. The primary concern is to have participating FOBs become self-sustaining business entities. Without targets and mileposts against which the FOB's growth can be measured, the program will become self-perpetuating.

b) Management education does not play a sufficiently important role in the current administrative restructuring program. At a minimum, greater emphasis should be given to management development training to the management and board members of participating groups as part of the restructuring process.

2) ACDI's contract terms of reference contains two minor discrepancies when compared to the reality of Project implementation: a) ACDI's role is advisory in nature, and the organization should not be held responsible for achieving all the Logframe outputs. b) In reality, FINACOOP is responsible for all training under the Project. FINACOOP is supported by ACDI that is responsible for *observational travel* and advice on the training plan. Furthermore, the TA team is not being fully utilized to provide maximum benefit to the SFAD Project.

3) The lack of a specific training plan at the initiation of this project has been prejudicial to project development for two reasons: 1) there has not been an efficient use of this project resource, and 2) the training which is being conducted does not have the appropriate agribusiness perspective.

4) Training areas which appear to offer the most return on investment using available resources are 1) for upper-level management of FINACOOP in the relevant financial management for its goals, and 2) in entrepreneurial attitudes, habits and skills, implementing FINACOOP's grassroots strategy with the participating groups and their membership. There would be equal access for men and women to participate in both types of training.

RECOMMENDATIONS

1) FINACOOP should determine the requirements for graduation from the administrative restructuring program based on business sustainability for the participating groups, and a graduation ceremony held to commemorate the event. Strengthening activity should be limited to that which is necessary to reach that level of development, and assistance should not continue beyond graduation.

2) It is recommended that ACDI propose changes to USAID as to the contractor's responsibilities under the TA contract. Apparent discrepancies to be clarified are ACDI's responsibility for accomplishing all Logframe outputs, and for providing all training required under the Project. The TA team and FINACOOP should jointly re-define the role to be played by the resident advisors in the SFAD Project, with an eye toward better utilization of their services.

3) The major recommendation is for FINACOOP to organize a task force to start the preparation of an operational plan for small farmer business development training as soon as possible by using technical assistance, both Honduran and external expertise. This will enable FINACOOP to emphasize its change-oriented grassroots strategies and reinforce the financial management skills needed in the project. Prompt attention to this plan can assist FINACOOP to begin to implement their training strategy by the scheduled date of January 1996.

CONCLUSIONS

1) By clearly establishing measures of FOB sustainability, FINACOOP can graduate qualified performers, provide any additional assistance on a fee basis, and focus efforts on weaker FOBs.

2) FINACOOP would be able to receive the maximum benefit from the external technical assistance resources in the time remaining.

3) The education process would begin with an entrepreneurial focus that would continue long after the Project ends. FINACOOP staff would also become more highly trained in skills needed under an evolving organizational structure.

LESSONS LEARNED

1) A no-nonsense, disciplined approach to rural development, based on the principle of self-help and with clear implementation responsibilities and supported by an effective, timely information system for monitoring, is indispensable for success. In the present case, the

agricultural cooperative lending program has been strengthened by formal contracts with cooperatives and ultimately, by execution of guarantees when non-compliance became impossible to overcome.

2) A highly detailed project design which defines implementation procedures with great precision can itself become a hindrance to effective implementation if the circumstances under which the project is carried out change substantially. Examples of this situation include: a) the design was too detailed with regard to the procedures spelled out for the identification of "growth" projects by ACDI -- fortunately, the contractor bypassed most of the detailed procedures; and b) the design has greatly constrained ACDI's work by its restrictive definition of when a cooperative can enter the "growth component", and its limited focus of ACDI's efforts, mainly in this activity.

3) A human resource development component contributes to the overall success of a project, success being positive results, when the component's program is initiated during the start-up phase so that the new skills and attitudes can be applied during the project. New management at FINACOOP has tried to rectify this problem by initiating an ambitious training program mid-way into the project but its impact will be severely hampered because of delays.

Section III. Other Mission Issues

FINDINGS

1) The issue of institutional sustainability is being addressed by FINACOOP with the help of the TA team, and is a priority.

2) Most of the FOB activities strengthened under the Project focus on services such as sales of inputs, facilitating limited production credit to acquire inputs, and product processing and marketing. These activities clearly reflect the concern embodying the Strategic Objective to provide greater access to the means of production by developing local farmer-owned businesses, as the outcome of these activities is an increase in employment and income.

RECOMMENDATIONS

1) Although implicit in the Project Paper, this issue was not expressly considered and yet it is necessary to continue support to the FOB sector as a business service after the Project ends to maximize the benefits from the Project's investment by USAID, the GOH, and the participating FOBs and FINACOOP. For the remainder of the Project FINACOOP will need support to determine the feasibility of transforming itself into a sustainable and relevant financial institution for FOBs, and to maximize the transfer of skills through the technical assistance contract, modifying it whenever necessary. Actions relating to this effort should be recognized as legitimate Project activities.

CONCLUSIONS

1) By establishing long-term institutional goals (which include self-sustainability), FINACOOP can coordinate its policies and activities, including program expansion, investments, personnel, training for clientele and for staff.

E. Development Benefits from the Project

Several types of FOB service improvements are perceptible by members, especially in the areas of input supply and product marketing. Tangible benefits from input supply service include: 1) better quality, availability, and accurate weights at the retail level; 2) stabilization of price levels through volume purchases, not only for the FOB but also by competitive outlets. The second major area of FOB involvement is the marketing of produce. Important benefits from produce marketing include: 1) accurate weighing of produce; 2) recognition of quality factors; 3) a transparent process to establish product sales value; 4) higher sales price level through volume transactions; and at times 5) setting a price level or providing a stable market outlet during the entire harvest season. Further benefits can accrue to members if the FOB can offer value-added processing and export marketing, but these activities are more complex and require much higher levels of capitalization and membership commitment to ensure probable success.

Presently the total number of FOB members in FINACOOP's program is approximately 4,400 persons. However by establishing standards and practices in the input and product markets, the impact of the program definitely is much broader. To estimate the potential influence of these FOBs which already have established services but without assuming any geographic expansion, the 1993 agricultural census was used to identify characteristics of the local areas they are active in townships:

- Project FOBs are active with input services in townships with 56,627 farms—18 percent of the 313,170 farms in townships nationwide that registered some input use.

- FOB produce marketing services are taking place in townships with 55,775 farming units, just under 18 percent of the national total of 317,199 farms.

- Townships where the more active FOBs currently operate accounted for 17 percent of the nation's total of people (both temporary and permanent) employed on farms: 159,060 out of 921,358 persons.

These numbers are not meant to imply that participating FOBs currently affect directly 17 to 18 percent of all farming units in Honduras. The fact that UNIOCOOP already has a 25 to 30 percent share of national fertilizer sales gives credence to the real possibility of substantial impact in the future. Over time FOB services will exert ever greater influence to the degree they actively support the agricultural sector on a sustainable basis for members and non-members alike. Since FINACOOP expects the program to reach 40 or more FOBs by the Project's end, many of which will offer similar services, thereby increasing its national coverage.

According to current estimates, by the PACD there should be at least 30 FOBs operating at a profit and 40 showing substantial sales increases. Normally this alone would indicate sustainability if it represents a trend for these businesses. FINACOOP's focused strategy stressing solid business practices and restructuring will assist FOBs to become sustainable enterprises and expand their coverage and depth of services in the future.

F. Objective Tree

An Objective Tree for the Project is presented in Table 1 and reflects the evaluation team's understanding of the different operational aspects and their inter-relationships. This Tree differs somewhat from the actual Logframe, especially in reference to possible indicators. Those shown in the Tree may be theoretically sound but impractical to measure and/or monitor without substantial redirection of Project resources and may not represent the best use of these resources and time. Indicators should be as closely linked to conditions resulting from prior level interventions. Proxies should be avoided unless direct measurement is too impractical or expensive. FINACOOP and the technical assistance team would need to propose to USAID the modification of present Project activity and output measures to better correspond to actual implementation and the Objective Tree changed accordingly.

The Objective Tree has the following structural elements:

- The Strategic Objective provides the overall justification of the Project even though direct impact on indicators is not measurable.

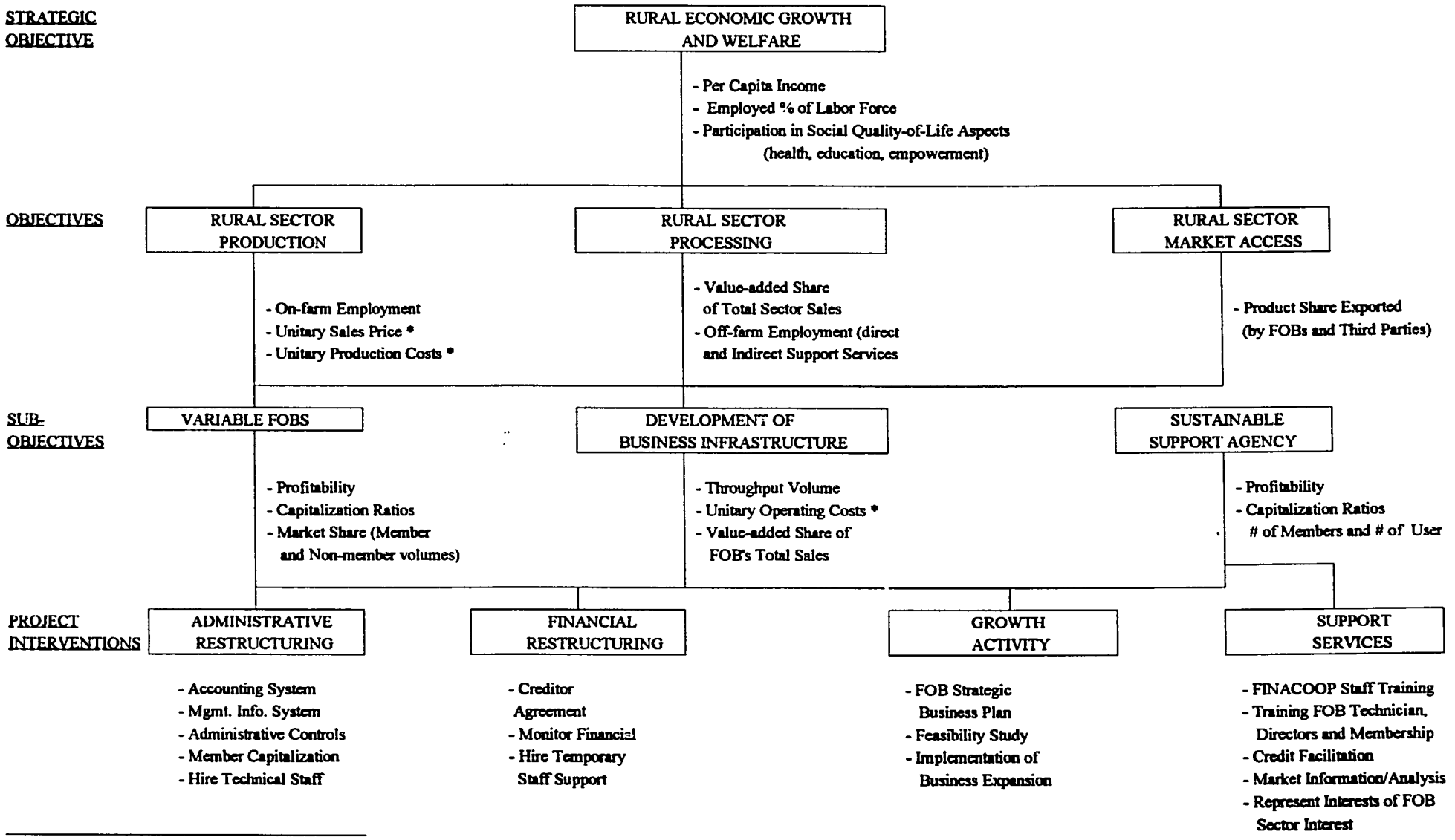
- The Objective level refers to items that are sector-wide for agriculture (at least within the Project's regional area of influence) which are modified by the impact from related activities but are not directly measurable (since these would need to be compared with the supposed "without Project" results).

- The Sub-Objective level is directly related to the results of Project interventions implemented by FINACOOP and participating farmer-owned businesses (FOBs); however these results are also subject to exogenous factors (such as weather, general conditions of the Honduran economy, and international market forces) and therefore need to be interpreted.

- The Intervention level measures Project-financed and complementary activities themselves (rather than their results) by FINACOOP and FOBs and are directly attributable to the Project.

TABLE 1

OBJECTIVE TREE



NOTE: * Assume Standardization of both Product Type and Quality

PART A. PURPOSE OF THE EVALUATION AND STUDY QUESTIONS

The mid-term evaluation of the Small Farmer Agribusiness Development Project (SFAD) has the following purposes:

- Review the progress towards End of Project (EOPS) indicators and assess whether the EOPS indicators are still valid and relevant
- Review the assumptions in the Logframe and assess if the assumptions are still appropriate to project implementation
- Identify problems and successes affecting project implementation and propose solutions to problems to improve the effectiveness and efficiency of project implementation
- Review whether the project will support the achievement of the Mission Strategic Objective # 1: Enhanced Economic Participation and Increased Incomes of the Poor.

The key questions in the evaluation are grouped in three main areas:

I. EOPS Indicators and Other Project Paper Issues
   1) Project Paper assumptions
   2) Project progress

II. Project Implementation Issues
   1) FINACOOP structure
   2) Administrative restructuring mechanisms
   3) Financial restructuring mechanisms
   4) Technical assistance support of FINACOOP
   5) Use of training to strengthen coops and implement Project

III. Other Mission Issues
   1) Improvement of Project administration and management
   2) AIFLD's effectiveness
   3) Project focus on Mission's Strategic Objective.

PART B. CONTEXT OF THE PROJECT

Honduras is one of the poorest nations in Central and South America. According to preliminary figures of the International Monetary Fund, a majority of the 5.1 million population is considered as poor (72 percent), and 55 percent classed as very poor. As nearly 60 percent of Hondurans are rural dwellers, most of the very poor are small-scale landholders and agricultural wage earners. The 1995 USDA Agricultural Report (also unofficial) shows the 1994 GDP in real Lempira terms declining by 1.4 percent with the population increasing by an estimated 2.9 percent, yielding a total per capita drop of 4.3 percent. Unemployment edged to over 16 percent of the labor force, with another 38 percent considered as underemployed. At the same time inflation jumped from 13 to nearly 29 percent and continued to rise in 1995 to over 30 percent.

The rural population's immediate needs went unmet to a large degree, judging from 1992 official data: less than 60 percent of the population with adequate housing, approximately 36 percent did not have basic health services, and 57 percent of preschool-aged children showed signs of sub-normal growth.

Illiteracy was estimated at 42 percent, while only 44 percent of the literate rural population received more than three years of formal education.

Within the national context, the agricultural sector is of primary importance: over 50 percent of the economically active population is employed in this sector, over 64 percent of foreign exchange is earned by these activities, and 24 percent of the GDP comes from agriculture (1994). The economy is highly dependent on two permanent crops: coffee and bananas provided 63 percent of agricultural exports. However despite a boom in international coffee prices, the sector was deteriorating, with a negative growth rate of 2.9 percent.

The SFAD Project is one of the efforts to reverse these trends by stimulating economic growth of the small-scale farming operations. To be able to reach a significant number of the smaller farming units, the Project focuses on groups of the small and medium-size farmers -- the farmer-owned businesses (FOBs). This group is sizeable: the 1993 agricultural census determined that 90 percent of agricultural units had less than 20 hectares (the nationwide average was 10.5) and accounted for just over 28 percent of agricultural lands. Judging from the use of agricultural inputs, the level of technology is low: 53 percent of farming units reported using some type of purchased inputs, but only 35 percent used chemical fertilizers. Less than seven percent of farms used formal credit, just over seven percent utilized technical assistance (and most of this was provided free of charge), and less than four percent used irrigation. These general data indicate that the agriculture sector is largely subsistence in nature, characterized by low levels of productivity, and very dependent on weather conditions for production.

PART C. STUDY TEAM AND METHODOLOGY

The three-person evaluation team consisted of specialists in agricultural cooperative management, credit and financial restructuring of agribusiness, and institutional development and agricultural cooperative training.

The team utilized a methodology which stressed interviews with key actors in the project's implementation and site visits. Visits were made to FOBs participating for more than one year in the Project, some that initiated activities within the last 12 months, and several that have been suspended or disqualified from continuing in the project. To the degree possible, interviews were done with cooperative Board members and management staff. FINACOOP staff arranged for and were present in these meetings, as were usually the USAID project assistant and a member of the advisory team.

Interviews were conducted with FINACOOP Board members and staff, the permanent technical assistance team, relevant USAID personnel, local institutions connected with the project or with similar activities, and personnel from AIFLD and an agricultural policy project.

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evaluator departed. The report was finalized in English by the consulting firm's home office (the draft translation into Spanish was done by FINACOOP).

PART D. DISCUSSION OF EVALUATION QUESTIONS

Section I. EOPS Indicators and Other Project Paper Issues

1. Are the assumptions of the Project Paper Logframe still valid?

DISCUSSION

A. The Project Paper Logframe contains two sets of assumptions related to the purpose: the end of project results and the major policy issues that could constrain or facilitate obtaining these results. Both sets reflected valid concerns when the Project Paper was written, and these will remain relevant during the remainder of the Project: the project results serve to clarify the reasons for activities, and the policies state the conditions which are critical for the success of the activities.

B. The major assumptions made explicit in the Logframe deal primarily with overall domestic economy development: liberalization of financial policies, elimination of subsidies and other forms of GOH intervention, and growing markets for goods and services. In general terms sense these assumptions have been valid, with the GOH reducing its role in the financial and major commodity markets.

By continuing to control some financial mechanisms, the GOH exerts a negative influence over local investment in agribusiness: local currency is slightly overvalued (probably not affecting major export possibilities), money supply is limited by mechanisms such as banking reserves of 40 percent (resulting in high market interest rates -- 32 percent or more annually and climbing), an auction system for foreign currency which is very time-consuming and has high transactions costs for users, and a growing inflation rate (reducing the incentive to save for fear of even higher inflation and negative real interest rates for savers). These factors result in instability and extra business costs at a time when neighboring countries are liberalizing their economies. This situation could put Honduras in a disadvantageous market position that would take substantial time to overcome.

A second area of GOH market intervention concerns the utilization of imported commodities and inputs in a preferential manner through import permits and phytosanitary licenses, which in the past has severely distorted local markets. Recent examples include: 1) donation of Japanese fertilizer which when sold on the market, made commercially imported stocks non-competitive for several months, until the donated amount ran out; 2) donations and below-local-market priced commodities (such as powdered milk, rice, and yellow corn) which depress local prices. Although the GOH generally has reduced its intervention in the marketplace, numerous previous examples of sudden actions based on perceived national interests (political more than economic) maintain a cautious attitude towards making longer-term business commitments.

C. The Project has the general purpose of stimulating the development of farmer owned businesses (FOBs) such that they increase the production, value-added processing and exports of their

membership. The key results-oriented EOPS indicators apparently address this purpose with quantitative measures for participating FOBs: production gains of 30 to 40 percent in key commodities, an annual increase in related processing of $10 million, and an increase in the annual foreign exchange earnings of $15 million.

Increased employment was an indicator in the original Project Paper Logframe but was excluded from the Project Agreement and from further reporting. Although obviously a very important factor for the economy, it is difficult to calculate and interpret in a meaningful manner, since commercial decisions are made on the basis of expected profitability (as well as the availability of labor) rather than maximizing the labor content. In the short- and medium-term little incremental employment is generated, but rather shifted from other economic activities. In addition, much of the impact on employment may come from indirect or support activities (transport, processing) which are not carried out by FOBs and therefore could only be roughly estimated.

The production indicator (an increase of 30 to 40 percent) is interpreted as relating to both export commodities and commodities for local consumption based on the FOBs' major agricultural activities at the time of the Project Paper. With an implementation period of more than five years the principal activities can change -- some may no longer remain commercially viable and be replaced by other activities, or diversification may render a single commodity measure as too limited to evaluate the project's impact. A good business decision may be to diversify or improve quality aspects rather than stimulating additional production, especially if the commodity market were not growing. This is the case of COMARCA, where the project aims to improve the quality of its commodity (coffee), rather than focusing on the volume produced. The relevance of this Project in incrementing production is doubtful, since nearly all its potential clientele are service organizations, not production entities. Secondly, if the principal economic activity changes for an FOB, a comparison of before-and-after-project production will be meaningless. In short, this indicator is not readily quantifiable, its interpretation is ambiguous, and therefore should be eliminated.

Foreign exchange earning indicator by FOBs includes both export sales and savings from import substitution. Presently only one group (COMARCA) exports and therefore directly generates quantifiable foreign exchange earnings. During the Project one other FOB (Maya Occidental) may begin to export, but other coffee producers will continue to sell to exporters that add value and then export. The share of export proceeds that corresponds to these producer FOBs is divided between the producer (for improved quality and larger quantities) and the processor-exporter (for most of the value-added and export activities), and determining this share would be complex. Another direct exporter—COAVAL—markets a small quantity from its line of cheeses to El Salvador. This indicator reflects the time of drafting the Project Paper, when there were ten coffee and three export melon FOBs. Almost all these groups stopped participating in the program because of insolvency and mis-management. However this indicator (implicitly based on these groups' participation) presupposes that FOBs should be exporting under the Project, and there are few FOBs that presently are in the position of having an exportable product. A more accessible strategy for most commodities may be to aim at local marketing. The Project originally envisioned a substantial number of participating FOBs with members producing coffee and melons, resulting in a target of $15 million in direct exports. This situation no longer exists, and the indicator is not realistic.

Estimating the amount of import substitution corresponding to the Project is even more tenuous, since this assumes that Honduras otherwise would be importing such products. A project document that attempts to quantify project-related impacts ("Measures of Agricultural Production, Member Business, Value Added, Foreign Exchange & Employment") lists COAVAL's contribution to import substitution as an amount equal to 71 percent of its sales. It is questionable that this share of its milk products would have been imported, since most of its products are of local market acceptance and may not be available from other countries at a similar price.

The indicator of value-added processing gains is closely related to the "growth component" of the Project, since usually FOBs handle raw materials. Because of the limited number of FOBs positioned to fully participate in the strengthening component at the Projects' inception, the number that will graduate to this business level by the PACD is small. Furthermore, as coops assume a greater role in product transformation, this is largely a transfer of value-added activities from other private sector entities to the coops and not a net gain to the economy. Many participating FOBs have commercial value-adding operations such as the supply of inputs and the processing of intermediate goods. Not only are these necessary services, but also exert a market price regulating function which benefits members and non-members alike. Experience has shown that where an FOB input supply or product collection operation is interrupted, competing businesses make rapid price modifications to the detriment of small producers. However, this type of impact (a negative value-added situation for producers) is not quantifiable even though it is important. Another factor relates to the special nature of a service cooperative: the coop business is often pressured by the member owner-users to provide the services with barely a break-even margin, as a way of serving the membership's personal interest. Thus the tendency is for margins to be lower than in other commercial enterprises. The process of changing this mentality is slow, however several members of FINACOOP have been successful in changing this attitude. In summation, processing and commercial activities by FOBs probably will not generate anything near the direct value-added gain indicated in the Logframe.

A basic difficulty for the Project in using quantitative indicators stems from the lack of adequate baseline information to measure change over time. At the project's initiation the information base was nearly non-existent, and only within the last year has this improved to the degree required to even use parameters to estimate membership production and employment quantities based on expensive surveys at the FOB level. FINACOOP and the technical assistance team expended considerable efforts to improve data quality, but the usefulness of establishing a base year for FOB membership is questionable. Another strong limitation has been the deficient quality of FOB accounting information to determine costs and earnings.

OBSERVATIONS

1) The USAID Mission should continue the macroeconomic policy dialogue with the GOH on its macroeconomic policies and assist in the implementation concerning the transition from policy to procedure.

2) FINACOOP should maintain opportune communication with GOH officials such that impending policy changes or procedural actions which could have negative impact for Project participants are identified in time to adjust business plans.

2. *Is the Project progressing satisfactorily to achieve the project purpose and to achieve EOPS by the PACD?*

DISCUSSION

A. There are two types of quantitative measures dealing with this project: one set purportedly to reflect the degree of achievement of the Project's purpose (results, which are analyzed in the previous section), and another to monitor the financial and operational performance (outputs) of participating FOBs. The output indicators are descriptive criteria relate directly to participating FOBs: increased product prices and sales, reduced costs, short-term investment returns, and investment projects implemented. In addition, FINACOOP also generates an exhaustive list of ratios to provide technical information on individual FOB operations (not analyzed in this section): 23 to measure the overall situation of FOBs and another 10 to judge if an FOB qualifies for growth component activities.

Table 2 "Comparison of Logical Framework Indicators" shows the changes in the measures actually being used in progress reporting, many of the original ones having been eliminated while several new ones were added to quantify key activities. The estimates of PACD values indicate that most of the activity levels should be reached, with the exception of those directly related to the Growth Component (part # 3). As mentioned earlier, the measures of Project results probably will not reach the levels indicated in the Project Paper, whereas most of the appropriate FOB indicators should be met. The following sections discuss the relevance of these latter measures.

B. The Project Paper output indicators in Table 2 are separated into four sections: Increased Services, Increased Viability, New Agribusiness Investments, and Profitable Federations. During the last year of implementation the Project Status Reports have eliminated several ambiguous measures and added others related to implementation activities completed (FOBs screened, qualified, disqualified, restructured, and with computer technology). Whereas these latter measures show FINACOOP's activities and are easy to quantify, they are not directly linked to the desired results. (An example is that many FOBs enter into multiple administrative restructuring efforts—over one-half of those interviewed—yet do not accept or need financial restructuring—only 6 of 14 did.)

The focus of the first section is "30 to 40 FOBs providing increased services to members in sustainable manner". Original indicators used proxies to measure this output, a clear example being the export coffee price discount received, which supposedly reflects quality. However, most participating coffee coops sold to local exporters, and therefore the sales price received was not linked directly to quality (only one group presently does). Other indicators highlighted reduced distribution, processing and credit intermediation costs, which cannot distinguish between an efficient administration, simple increase in volume, or a deteriorated level or quality of services as the reason for reduced unit costs. These are efficiency measures for a standard level of service and to some degree are inversely related to short to mid-term unit costs.

TABLE 2

SMALL FARMER AGRIBUSINESS DEVELOPMENT PROJECT 522-0383
COMPARISON OF LOGICAL FRAMEWORK INDICATORS:
PROJECT PAPER, PRESENT STATUS AND ESTIMATED OUTCOMES

SUMMARY	ORIGINAL END OF PROJECT INDICATORS	PRESENT STATUS OF INDICATORS	REVISED ESTIMATES OF ACHIEVEMENTS AT PACD
PURPOSE:			
Increase production, value-added processing and exports of FOBs	Average production gains of 30-40% for coffee, corn, melons and rice	Data not maintained presently because of procedural difficulties	Not applicable
	Employment in FOBs and member farms increases by approximately 10,000 persons	Not included in the Project Agreement; total of 4,300 (not incremental: '94-'95)	Not applicable
	Foreign exchange earnings of FOBs increase by $15 million	Total of $3.6 million (not incremental: '94-'95) *	$ 5 million (doubtful)
	Value-added processing gains of $10 million by 1997	Total of $1.9 million (not incremental: '94-'95)	$ 5 million (doubtful)
OUTPUTS:			
1. 30-40 FOBs providing increased services to members in sustainable manner	1.a) Coffee discount of project participants vis a vis Central America reduced by 70%	No longer reported	Not applicable
	1.b) Input distribution costs reduced by 25%	No longer reported, but included in data base	Not applicable
	1.c) Processing costs reduced by 25% on average for coffee, rice and melons	No longer reported, but included in data base	Not applicable

SUMMARY	ORIGINAL END OF PROJECT INDICATORS	PRESENT STATUS OF INDICATORS	REVISED ESTIMATES OF ACHIEVEMENTS AT PACD
	1.d) Marketing prices above national averages received by FOBs for coffee, rice and melons	Not included in the Project Agreement	Not applicable
	1.e) Credit intermediation cost in agricultural service cooperatives reduced to 7%, including technical assistance	No longer reported	Not applicable
2. Increased financial viability of participating FOBs	2.a) 90% or FOBs operating at profit	9	75% of FOBs operating at profit: 30
	2.b) Participant FOB product sales (coffee, rice and melons) increase by 50% on average	8	FOB product sales increases of a minimum of 25% over base year: 40
	2.c) FOB member equity and reserves should increase to an average of 30% of assets	9	40
3. 30-40 new agribusiness investments undertaken by coops or federations	3.a) 30-40 investments operational	0	5
	3.b) 30-40 loans made	No longer reported	Not applicable
	3.c) 50 studies completed	0	5
	3.d) Investments have a return greater than 15%, expressed in dollars	No longer reported	Not applicable
4. Participating federations operating at a profit through sales of goods and services	4.a) Profitability of federations (return on equity) is a minimum of 35%	Minimum FOB return on equity of 35 %: 7	Minimum FOB return on equity of 35 %: 30

Note: * Includes $654,120 as import substitution

All of the above indicators are no longer included in the Project Status Reports, and no substitutes were added. Yet this output area is of critical importance—the demand by farmers for production-related services. A simple indicator would be the percentage of FOB members channeling production through the FOB for processing and marketing, indicating the members' acceptance of such services—a direct reflection of this section's focus. An analogous situation would be FOB member use of other production support services (major input supply, usually fertilizers).

The indicators used in the Financial Viability section (# 2) are relevant—profitability, increased sales, and FOB capital and reserves—as long as the accounting data were reasonably accurate from the beginning of the project. These reflect better the sustainability of the coop services than those utilized under the Increased Services section. Furthermore, they are part of the criteria used to determine the graduation from the "Strengthening Component" to the "Growth Component", which is the next section of EOP output indicators.

The opinion of FINACOOP management is that the quantitative values of the indicators should be changed to reflect the reality of present and probable participants, rather than be based on the unrealistic initial assumptions. The reasoning used follows:

a) 90 percent of FOBs with profit should be lowered to 75 percent. Presently 14 of the 24 participants are profitable (58 percent), and since at least 20 more should begin the process of restructuring by PACD and have shown some improvement, a 75 percent target for a total of 40 FOBs would be reasonable, i.e., 30 or more being profitable.

b) Sales increases of 50 percent reflected a target for the five-year business plans used, roughly a ten percent annual increase. Since about 40 percent of PACD participants will have been included in the Project for two years or less, their projected sales will have risen by much less. A target of 40 FOBs surpassing a 25 percent gain in sales over their base year would be more realistic.

The New Agribusiness Investment section (# 3) is the most flawed, since it presupposes that the previous project under FINACOOP's predecessor adequately prepared a sufficient number of FOBs to participate in the "Growth Component". For graduation an FOB should demonstrate an adequate level of administrative and financial stability and ideally have undergone three years of business expansion. Based on the time requirement alone, this condition virtually eliminates any coops that started the process of restructuring under the present project. Also "graduation to Growth" may not always be relevant, since several FOBs already have sufficient infrastructure to cover substantial future expansion (COAVAL and COOPAVIHL). The Growth Component is neither a precondition to sustainability, nor a practical objective for all FOBs. Therefore the number of potential participants in the Growth Component is limited to a maximum of nine which have continued from the previous Financial Development Fund (FDF) project. A more circumspect estimate would be that five could be implementing investment projects to add new or substantially expand existing agribusiness activities. It should be stressed that many other FOBs are expected to be financially and operationally sustainable by the PACD without going through this component.

For this reason, the targets of 30-40 studies, loans, and major investment projects implemented by the PACD are not within reach despite FINACOOP efforts, and really did not represent a reasonable target at Project startup. Also, several FOBs already have over-invested in infrastructure which is beyond their capacity to use in the near future and probably could not benefit from additional investment (such as COOPAVIHL and COAVAL). Since less ambitious "growth-type investments" in commercial and processing activities may be started with FINACOOP financing while still undergoing restructuring, these could reasonably be counted as valid agribusiness ventures to measure the Project's coverage.

Another output indicator, the stipulated minimum of a 15 percent return on investment, is certainly a reasonable target for FOBs, but was overly optimistic because it related to dollar equivalents, even though most participating coops do not directly receive dollar sales. Therefore they would have had to adjust for a devaluation usually superior to 20 percent to show a rate of return of 35 percent or more in Lempiras (nearly two-thirds of the Project period to date experienced a greater devaluation rate). This indicator was eliminated from the Project Status Reports in the last year.

The last section of Project Paper EOP indicators relates to profitability of umbrella coop organizations. These organizations were relevant under the previous project and included in the implementation strategy of the Project Paper, but presently do not qualify for FINACOOP attention. As such the indicator is now applicable only to UNIOCOOP, although its business activity is not limited to member clientele but includes a substantial number of outside clients. Since the indicator of return on equity was changed in later Project Status Reports to relate directly to FOBs instead of federations, it is reasonable and relevant theoretically. However a 35 percent level is much too great unless the capital base were purposely kept small, which is not one the Project's objectives. Either a more modest target percentage should be chosen, or a trend criterion used, such as having a stable or increasing return on equity over a several year period.

Current semi-annual Project Status Reports have added several measures (not included in Table 1) which are useful to appreciate activity levels of FINACOOP: numbers of FOBs screened, qualified, later disqualified, administratively restructured, financially restructured, with computer equipment installed, and with MIS functioning. These measures show the progress of FOBs in adopting practices that should facilitate improved business performance. However these will not indicate Project impact or results but rather the activities carried out by FINACOOP.

It should be emphasized that the Project Paper expected substantial amounts of information to be generated to determine the Project's net impact. Besides the normal business enterprise data, this requires a sound information collection system and the ability to distinguish between current and new or incremental: investments and their returns, processing activities, areas under production of major crops and their yields, on-farm employment, volumes and prices of sales through and outside the FOBs. These data often are only available through on-site surveys, which is time-consuming and expensive. While interesting, this type of inquiry often is irrelevant for business operations but do represent resources and time expended.

C. The Project has experienced profound operational changes in the last 18 months -- changes have made the FINACOOP program more agile, effective and responsive. The three components for assisting FOBs (strengthening, growth and credit) are now combined operationally and follow unified policies. Substantial progress has been achieved despite the initial hiatus of nearly 15 months, and FINACOOP staff has been implementing project activities according to established procedures and policies.

D. All reports prepared for the data bases by the SFAD project use gender disaggregated data; currently the data base for training participants is being developed and a pattern of women's attendance at the training activities will be monitored. Most of this type of data relates to employment in the cooperatives and not to information about women's participation as members of cooperatives. It must be noted that this data are not differentiated, and therefore their relevance is limited. As an example on one FOB personnel chart, two people appear in upper management, one male and one female: the general manager is male and his secretary is female.

E. Another aspect of Project progress concerns the financing of related activities -- are there enough funds to continue implementation in a timely manner? The 1995 operational budget of FINACOOP projected interest incomes of approximately Lp. 6.3 million from investment of its own funds plus Lp. 8.0 million from Project funds lending. FINACOOP also received the last disbursement of Project support funds of $ 1.0 million and will be receiving no more. The projected expenditures for 1995 are approximately Lp. 6.8 million, less than one-half of the income flow. Furthermore, the Project still has substantial funding still to disburse primarily for FOB restructuring, as seen in Annex 1. The financial situation of FINACOOP seems to be very solid, and except for some unforeseen disaster, should improve during the next few years. This clearly will allow FINACOOP to continue Project activities at least to the PACD, by which time it should have defined its future course as a finance institution.

Section II. Project Implementation Issues

3. Is FINACOOP structured and organized to strengthen cooperatives as defined in the Project Paper?

DISCUSSION

FINACOOP, the "Financiera de Cooperativas Agropecuarias" was created in December, 1992 as an auxiliary organization of the cooperative movement. When it was founded FINACOOP became the implementing organization for the SFAD Project in its entirety, and also replaced the Financial Development Fund, FDF, as the implementing organization for the agricultural cooperative development component of the SFOS Project.

FINACOOP's core concept is to promote the sustainable development of farmer-owned businesses by providing technical and financial services to them on a profitable basis. The mission is to support the economic activities of rural agricultural cooperatives and their parent associations as a means of

improving the standard of living of their affiliated members. FINACOOP provides loans for activities such as crop production, agro-processing and the commercialization of agricultural products, supplies and services. FINACOOP also provides specialized technical services to its clients in diverse fields such as marketing, business development, and administration.

The owners of FINACOOP include five agricultural cooperatives[1] and a second level cooperative association, UNIOCOOP. FINACOOP's board of directors is composed of representatives of three cooperatives as well as the Ministry of Hacienda and Public Credit. USAID/Honduras has an observer on the Board.

FINACOOP's clients are rural cooperatives and their parent federations. FINACOOP's primary objective under the SFAD Project is to strengthen thirty to forty FOBs in order that they will be able to provide an increased level of services to their members on a sustainable basis. Another important objective is that four participating federations will become capable of profitably operating businesses of selling goods and services to their members.

Client services can be classified into five different categories: a) administrative restructuring, b) financial restructuring, c) commercial credit, for both short term needs, or long term investments, d) technical assistance targeted on specific needs, and e) training of the management and members of the participating FOBs. Annex 2 lists FINACOOP's clients and the assistance received.

FINACOOP has a staff of fifty employees. The current organizational chart is shown in Annex 3. In addition to the mandatory Board of Directors and Oversight Committee, there is a standing committee which meets as required to review investment alternatives for FINACOOP's own funds, and a finance committee called "Administración de Recursos por Cuenta Ajena" (ARCA)which has approval authority for financial restructuring agreements and commercial loans made to the FOBs. The use of these committees has been highly effective. The ARCA committee works particularly well since its members are knowledgeable about participating FOBs and therefore better able to make informed decisions about where to place financial resources. Of equal importance is that it removes the burden of loan decisions from the Board of Directors and thereby eliminates peer pressure and potential conflicts of interest by board members called upon to review their colleague's loan proposal.

Business operations are carried out by three major divisions, which are Finance, Administration, and Agribusiness. Their activities are supported by the Training Department, New Market Development, and the TA consulting team members. The Finance Division is responsible for cash management, and for preparing the documentation required for making loans. However, the responsibility for loan collection lies within the Administration Division, in the Loan Recovery Department. Loan Recovery works closely with Accounting to monitor the status of debt recovery and to take follow-up action when repayments are delayed. The remaining Departments in the Administrative Division are those which typically provide administrative support services, including computer-based information services, personnel, and general services. The primary responsibility of the Agribusiness Division is

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Candelaria, COHORSIL, COMARCA, Fruta del Sol, and Maya Occidental

to provide services to FINACOOP's customers and to monitor their performance. This Division provides technical assistance, encouragement and advice to help the FOBs complete administrative and/or financial restructuring; arranges for technical assistance as needed to solve problems or analyze the client's business operations, and helps develop training programs for the management and board members of the benefitting organizations. The Division has twelve Project Officers at both the senior and junior level, who act as FINACOOP's field representatives and provide the primary link with the FOBs. Senior Project Officers are generalists, but work in specific subsectors. For example, one Officer works with organizations engaged in the distribution and sale of farm supplies; another works with coffee cooperatives, and a third assists cooperatives which exploit forestry reserves. Senior Officers are assisted by juniors who tend to be specialists in administrative functions. The concept is that both Project Officers form a team with skills and experience directly related to the FOB's business activity, and can help improve the organization's capability to effectively manage its business enterprise.

The Department for New Market Development was created in 1994 in the aftermath of FINACOOP's expulsion of fifteen cooperatives which were not making satisfactory progress in terms of institutional strengthening. This Department has redefined the organization's policies and criteria for the acceptance of new FOBs, and serves as both a recruiting agent and a screening mechanism for new organizations which desire to work with FINACOOP.

The Training Department supports the Agribusiness Division in the preparation of training material for FOB managers and affiliates, and carries out some training programs for FINACOOP's client organizations. The Department also develops in-house training classes for FINACOOP's employees. The operations of this Department is discussed fully in the Training section of this report.

The TA team is composed of four international consultants and includes a specialist in coffee production and processing, a computer systems specialist, a specialist in finance and strategic planning, and an agribusiness specialist who is also the Chief of Party. While the TA team is under the general direction of the General Manager, the team's members work independently as internal advisors to FINACOOP managers within the different Divisions. For example, the TA team coffee specialist works with different Project Officers within the Agribusiness Division, the computer systems specialist works primarily with department heads in the Administrative Division, and the work of the finance/strategic planning specialist cuts across almost all Divisions, depending on the type of project he may be involved in at any given time.

The TA team is directly responsible for "growth" activities of participating FOBs. An Agribusiness Investment Unit (AIU) was to have been created which was expected to become the center of the SFAD Project's Growth activities, with the goal of developing 30 to 40 new business activities. The number of new business activities expected was approximately one new activity for each participating organization over the life of the Project. It was planned that the Unit would encourage new business activities by providing intensive assistance during all phases of new business planning, analysis, design, develop, and startup. It was also planned that the AIU would be staffed by the members of the TA team, and headed by the Chief of Party.

In view of the limited number of "growth" projects (two to date) the AIU exists on paper, only. The TA team members continue to work independently, and are called to work on the "growth" projects on an as-need basis.

Most of the TA team's work to date has been to strengthen FINACOOP as an institution. The team has designed and prepared policy and procedures manuals for administrative and financial restructuring, developing FOB business plans, and selection procedures for participating FOBs; design of a training program for credit analysis; the design and installation of FINACOOP's management information system, and the design of the process of transforming FINACOOP into a bank.

With considerable help from the TA team, FINACOOP has developed policies and procedures covering the most important aspects of its business activity. These are in use, and appear to be functioning well. Management systems are in place which enable the organization to carry out its functions. In addition, the current FINACOOP organization provides the structure that is needed to effectively strengthen cooperatives as defined in the SFAD project paper. However, there are three areas where the current organization could be optimized: First, market development services are closely related to the work of the Agribusiness Division. Market Development could be incorporated into the Agribusiness Division for better coordination and control, and to relieve an extremely busy General Manager from a supervisory chore.

Secondly, the Training Department reports directly to the General Manager, presumably as a signal of the importance of training. However, training is another human resource development function, similar to personnel, and this Department could well be incorporated into the Administrative Division. In the event that a non-routine, high profile training program should be brought on-stream, a task force could be formed to carry out the project under the direct supervision of the General Manager. However, day-to-day training administration would be better served in the Administrative Division, and this would also remove another routine task from the General Manager's schedule of activities.

There are numerous benefits that could result from having the permanent advisors function as a *technical assistance* team responsive to FINACOOP's senior management. At present, they work in two areas. First, the coordinator and coffee specialist, assisted by short-term consultants, prioritize *growth component* projects. To date, one feasibility study has been completed, another is under way, and several more will be carried out over the next two years. This activity does not take up all the time of the professionals referred to.

Second, all four advisors, but especially the *strategic planning* and *management information systems* specialists, are generally assigned tasks related to their area of specialization to coach their FINACOOP counterparts by working on projects and tasks alongside them. As knowhow is transferred over time to the FINACOOP personnel, so the impact of this style of work diminishes.

As an alternative, the advisors could regroup into a team of in-house consultants to FINACOOP upper management. The team could undertake difficult tasks or special projects that FINACOOP

has neither the time nor the resources to tackle itself, or ones that fall outside the mainstream of its business.

OBSERVATIONS

1) FINACOOP has developed policies and procedures covering the most important aspects of its business activity which are in use, and appear to be functioning well. Management systems are also in place which enable the organization to carry out its functions. In addition, the current FINACOOP organization provides the structure that is needed to effectively strengthen cooperatives as defined in the SFAD project paper. However, there are three areas where the current organization could be optimized: New Market Development, Training, and External Technical Assistance (permanent).

The restructuring of the FINACOOP organization would be modest: moving New Market Development into the Agribusiness Division, and the Training Department into the Administrative Division. If high-profile training interventions are required, they could be carried out by a special task force headed by the training supervisor, reporting to the General Manager. Finally, the TA team would be directed as a cohesive unit and assign additional responsibility to carry out special projects for FINACOOP.

4. Are the Administrative Restructuring mechanisms to transform agricultural cooperatives effective?

DISCUSSION

A. The goal of administrative restructuring is to help the farmer owned businesses (FOBs) develop and implement solutions to fundamental administrative weaknesses. The desired result is that the administrative structure of the organizations become strong enough to support their commercial activities, and that information systems be developed to provide information which enables the FOBs' management and directors to make timely, informed decisions.

B. FINACOOP plans to implement administrative restructuring on a phased basis and in light of the organization's ability to take on more clients. The approach used by FINACOOP is first, to carry out a comprehensive diagnostic analysis jointly with the FOB to determine the strengths and weaknesses of the organization, to define available business opportunities, and what pitfalls to avoid. FINACOOP then helps the organization to formulate a 3-5 year business plan which sets medium term objectives and develops a strategy for their achievement. Once the business plan has been accepted by both parties, a one-year plan of operations is prepared which sets specific objectives to be accomplished during the first year. Next, the two organizations negotiate a formal restructuring agreement which describes in detail the required administrative changes and commits FINACOOP to providing financial assistance as needed, along with technical assistance and training interventions to support the necessary improvements.

Typical financial assistance provided by FINACOOP would be to reimburse part of the FOB's cost of hiring an accountant, a general manager, and in some cases an agricultural extension technician. In most cases the FOB is expected to assume the full cost of the new employees after the restructuring agreement ends. Non-reimbursable funding may also be provided for the purchase of computers and software, office equipment, quality control equipment, or a motorcycle as a means of transport for agricultural extensionists. In some cases short term credit may be provided by FINACOOP during the administrative restructuring process. For example, credit might be provided to a supply cooperative to increase its inventory of fertilizers, chemicals and general supplies.

Under administrative restructuring, financial assistance is complemented by technical assistance and training interventions. FINACOOP helps the FOB install and use accounting, management information and financial control systems, and teaches its staff how to use the computer software required for their operation. Technical assistance is also provided to help solve production, processing, or other technical problems as required during the restructuring process. In this case, FINACOOP contracts with outside short term consultants to do the actual work, but coordinates the work, and supervises and evaluates the consultants' efforts.

Training programs in support of administrative restructuring have been rather limited in scope. Two "traditional" training programs are presented to the general members of the participating cooperatives. One module covers the principles of cooperativism and the other describes the effective use and handling of fertilizer. Other short-term training programs are provided on an ad-hoc basis for cooperative managers on diverse topics such as small business management, but as these are not needs-based, they may not be very relevant or practical.

The restructuring agreement establishes benchmarks which measure performance of the assisted organization and normally require the adoption of sound management procedures such as a) the adoption of strict lending policies for member loans, b) the installation of accounting and budget control systems, c) the development of professional staff capabilities and adequate personnel policies, d) the development of member capitalization programs, and d) the creation of sufficient reserves to protect against financial adversity. All activities of the FOB are carried out within the framework of an annual work plan which is approved by the management of the organization. FINACOOP tracks the success of the organization in meeting the benchmarks and in complying with the terms of the agreement by frequent visits and by analyzing FOB progress reports which are submitted quarterly.

For greatest impact, FINACOOP gives preference to those FOBs that have the greatest potential to develop a strong administrative structure and to implement effective operating procedures. The following policies govern the operation of the program:

- FINACOOP will work only with those FOBs which comply with the selection criteria, and which have the potential to contribute to the objectives of the SFAD Project.

- FINACOOP's role is that of facilitator. Its work is to provide advice and orientation to its FOB clients. The participating organizations themselves are responsible for implementing the proposed solutions and executing the restructuring agreement.

- Financial resources provided to the FOBs under the administrative restructuring agreements are not reimbursable to FINACOOP. However, FINACOOP reserves the right to suspend the disbursement of funds and to recover funds already disbursed, in the event that the FOB does not comply with its obligations under the agreement.

- Administrative restructuring will be based on a formal agreement between FINACOOP and the client organization in which the respective rights and obligations are stipulated, along with the mechanism for evaluating results.

- FINACOOP's policy is to provide funds to reimburse actual expenses incurred under the agreement, instead of providing cash advances.

Restructuring agreements normally covers a period of about six to twelve months. It is common that a number of agreements are negotiated successively with the same FOB so that the process becomes continuous over an indefinite period. For example, Maya Occidental has had six separate agreements running almost continuously since July, 1989. Fruta del Sol had four agreements covering the period from October, 1989 through December, 1993 but with a six-month gap between the first and second agreements. One reason why numerous agreements are necessary is that the initial agreement is normally focused on urgent problems which require an immediate solution, such as bringing the accounts up to date or eliminating inventory losses. After urgent problems have been addressed, successive agreements tackle longer-term problems. As an example, UNIOCOOP's administrative restructuring program continued through a period of several months during which time the Federation changed three general managers. Another reason why successive agreements are necessary is the slow pace at which restructuring takes place. Its purpose is to create better-managed businesses, which requires changed attitudes of the members as well as improved skills of the managers. Changing ingrained attitudes is a slow process. Another reason why administrative restructuring must be viewed over the long term is that the dynamics of the FOB's business operations are normally changing at the same time that restructuring takes place. For example, COPAVIHL undertook a major expansion of its raw material storage capacity and expanded the number of available product lines concurrently with administrative restructuring. Changes of this nature are highly challenging to a relative weak organization, and the management team requires continued assistance to help them overcome the new problems encountered.

FINACOOP's administrative restructuring program is soundly managed under the guidelines set out in the Project Agreement. Individual restructuring programs are tailored to the needs of the participating organizations. The system of monitoring results is good. Meetings with cooperative directors during field trips indicated that the FOBs support the program and fully intend to live up to their obligations. A good example of the potential impact of the program is La Proveedora cooperative. La Proveedora has a small farm supply business whose growth is constrained by the

limited amount of product inventory the cooperative can afford. However, with a short-term credit line for inventory purchases along with technical assistance to help install management and administrative control systems, particularly for purchasing and inventory control, the cooperative could easily increase its sales by 500% over the next two to three years.

C. The evaluation team believes that the program could be improved in two important areas. While the restructuring agreements are clear in terms of desired outputs, these are normally related to short term objectives such as the establishment of a loan policy for cooperative directors. FINACOOP has never established clear-cut objectives for the overall development of the participating groups, therefore it is not clear when they can graduate from the FINACOOP restructuring program. The primary concern is to have participating FOBs become self-sustaining business entities. Without targets and mileposts against which the FOB's growth can be measured, the program will become self-perpetuating. Requirements for graduation based on sustainability should be spelled out, and a graduation ceremony held to commemorate the event. Once it has been clearly established at what point the benefitting FOB will graduate, strengthening activity should be limited to that which is necessary to reach that level of development, and assistance should not continue beyond graduation.

A second area of improvement is that the team sees a greater requirement for education as the basis for administrative restructuring than is currently being contemplated. Cooperative development in Honduras requires education, not simply training. Project implementation must take a long-term view, even beyond the end of the Project. The challenge is to transform often-illiterate rural campesinos into business operators. Many of the problems of cooperative development are defined as "cultural", which requires a change in behavior, or of mentality, which takes a long time to accomplish. Follow-up assistance is required, even after "graduation", and could be provided from outside sources or through FINACOOP on a fee-basis. At a minimum, greater emphasis should be given to management development training to the management and board members of the participating groups as part of the administrative restructuring process. Since this topic is treated extensively in a separate section of this report, specific recommendations will be covered elsewhere.

By the end of 1995, FINACOOP's goal is to have restructuring agreements being carried out with 19 cooperatives. Annex 4 shows current progress toward achieving the year-end goal.

5. *Is FINACOOP's present management effectively using the Financial Restructuring mechanisms? What improvements could be made?*

DISCUSSION

A. FINACOOP's program of financial restructuring helps the cooperative or producer association resolve liquidity problems, and helps alleviate the burden of heavy debt. The objective is to lessen the financial constraints to the achievement of the organization's production goals.

Restructuring programs are designed by FINACOOP to meet the specific needs of each assisted organization and are based on a diagnostic analysis of its financial situation. Depending on the needs

of the organization, FINACOOP may use a number of mechanisms for financial restructuring. These include a) the elimination of non-performing assets; b) debt moratoria, debt restructuring, or the deferral of interest or principal payments; c) a consolidation of creditors; d) a rescheduling of loan commitments; interest or principle buy-downs, or the use of loan guarantees, and e) long term loans. These mechanisms are comprehensive and designed to fully meet the needs of the organizations participating in financial restructuring. Most of these mechanisms have been used at one time or another in the various restructuring agreements carried out earlier by FDF and now by FINACOOP. One exception is loan guarantees, which is not considered under financial restructuring since FINACOOP provides all the required funds. Neither has debt moratoria, debt restructuring, or deferral of interest and principal been used to date. When a cooperative begins financial restructuring, the debts have an extremely low value and often are written down in value and a strict repayment schedule established.

B. FINACOOP has established the following policy guidelines for financial restructuring. These are consistent with the requirements of the Project Agreement.

- The market rate of interest is used for restructuring loans, and the rate established in the various loan agreements will be adjusted periodically to reflect financial market rates.

- The maximum time allowable for restructuring agreements is five years.

- Restructuring will not seek to improve the FOB's balance sheet beyond an equity-to-asset ratio of 35 percent.

- FINACOOP can provide an incentive for exceptional performance by the FOB in meeting or exceeding its performance commitments by forgiving up to 20% of the original principal amount at the conclusion of the agreement.

- In order to qualify for the financial restructuring program a FOB must have a strong administratively capability, and should have completed most of the administrative restructuring process.

- Financial restructuring programs within a given FOB will be carried out only after a financial analysis has been made which indicates that the expected economic benefits are greater than the financial cost of restructuring.

FINACOOP's policies for financial restructuring are considerably more disciplined than the policies previously carried out by FDF under the SFOS Project. The new policies are geared to support self-help measures, and are not a "bail-out" of financial problems. Before financial restructuring takes place the FOBs must submit to an administrative restructuring process which includes financial controls, better accounting information and improved management. Most importantly, the members must agree to make capital contributions to strengthen the balance sheet of the organization. Without

improved management, better controls and a strong capitalization program, financial restructuring will not be authorized.

These strict policies have naturally slowed the pace of financial restructuring, with the result that fewer, although more viable cooperatives are now participating. Another factor which has slowed financial restructuring was the elimination of 14 weak cooperatives from FINACOOP's program after the current general manager assumed office in June, 1994. In the ensuing year, the weak cooperatives have been replaced by a greater number of new cooperatives. These must go through an administrative restructuring program which, on average, last about a year before financial restructuring begins. This, also, has slowed the pace of financial restructuring. Finally, under current FINACOOP selection policies the cooperatives entering FINACOOP's development program have greater financial stability and are less likely to require substantial financial restructuring than was the case previously. As a result of these factors, FINACOOP is likely to fall considerably short of the objective stated in its 1995 work plan of reaching twenty restructuring agreements by the end of this year, because debt restructuring was not required for FOBs to become financially viable. The overriding purpose of the SFAD Project is to improve farmer-owned businesses and thereby enhance the life of rural Hondurans, not to provide restructuring loans.

In addition to exercising greater control over the restructuring program in general, FINACOOP is more effective in loan collection than was the case under the SFOS Project. When FINACOOP was formally organized at the end of 1992, it became responsible for the L. 8 million portfolio of financial restructuring loans to rural cooperatives held previously by FDF. The portfolio included eleven loans made to seven cooperatives at interest rates varying from 4 to 12 percent. More than 25 percent of the amount owed by the cooperatives was in arrears (Annex 5).

This contrasts to the current portfolio of financial restructuring loans shown in Annex 6. FINACOOP presently has eight loans outstanding with seven cooperatives. All but three of the eleven loans carried over from FDF have been repaid. However, these three continue to be "problem" loans with an excessive amount in arrears. Of the five financial restructuring loans made by FINACOOP, only one (COMARCA) is not current. This delay in COMARCA's payment does not yet appear to be serious since it is less than ninety days in arrears. Including the three "problem" loans, 13% of the amount presently owed by the cooperatives is presently overdue. A contributing factor to this improvement in loan administration is undoubtedly the financial monitoring system developed in early 1995 with the assistance of the TA team. This information system updates financial indicators each month which permits FINACOOP to track the financial well-being of the assisted FOBs.

Another change in FINACOOP's administration of the financial restructuring program from the earlier SFOS Project is that the organization is now willing to become directly involved in the management of problem cooperatives. The assistant manager at COMARCA is on a one-year assignment from FINACOOP, and may well become a full employee of the cooperative after his temporary assignment is over. Similarly, the current manager of Maya Occidental moved to the cooperative from FINACOOP, and part of his salary is reimbursed by the latter. This activity has been highly effective, and should be implemented with other, problem cooperatives. Both sides benefit from this practice.

FINACOOP has a person inside the cooperative to closely monitor its activities in terms of administrative improvement, and the cooperative benefits from effective, trained management.

OBSERVATIONS

1) The financial restructuring program as it currently operates is effective and well managed, and underlying policies are sound. Procedures are in place to effectively preserve capital.

2) Past experience indicates that FINACOOP should continue to play an active role in the management of priority cooperatives which are administratively weak and where FINACOOP has a high degree of financial exposure (e.g., Maya Occidental, COMARCA).

6.A. Is the TA adequately supporting FINACOOP in the implementation of the project?

DISCUSSION

A. Technical assistance is made available to FINACOOP through the SFAD Project by Agricultural Cooperative Development International (ACDI), a non-profit, non-governmental organization (NGO) located in Washington, D.C.

The TA contract began in April, 1993 and will end on September 30, 1997. ACDI's contract proposal to USAID for the SFAD Project specified that a five person TA team composed of resident advisors would work directly with FINACOOP. Included on the team were a strategic planning specialist, a management information specialist, a coffee industry specialist, a finance specialist, and an agribusiness specialist who also holds the position of Chief of Party (COP). The level of effort planned for the entire team was 186 person months. Two of the resident advisors—the finance specialist and the strategic planning specialist—were planned to be replaced approximately halfway through the Project by local consultants hired by ACDI. A total of 60 person-months were budgeted for local consultants. In addition, it was proposed that short term technical assistance (STTA) would be carried out by international consultants who would work a total of 686 person-days. It was also planned that the work of the STTA consultants would be complemented by capable volunteers brought to Honduras through the international program managed by the NGO group Volunteers in Overseas Cooperative Assistance (VOCA). The planned level of effort for VOCA volunteers was 20 person-months.

The terms of reference for ACDI in their TA contract specified four broad activities to be carried out over the course of the Project:

a) The TA team is responsible for achieving all the Logframe outputs of the SFAD Project. The most important objective is that 30 - 40 FOBs will be strengthened.

b) The TA team is responsible creating and staffing an Agribusiness Investment Unit (AIU) which will be used for carrying out the "growth" component of the Project. Under this

component it is expected that 30 - 40 agribusiness investments will be made by the client organizations of FINACOOP.

c) The TA team will work to strengthen FINACOOP as an institution, and support FINACOOP's work to strengthen and carry out financial restructuring operations with participating FOBs.

d) The TA team is required to provide all training needed to realize the objectives of the Project.

B. ACDI's contract terms of reference contains two minor discrepancies when compared to the reality of Project implementation: ACDI's role is advisory in nature, and the TA team is supportive of FINACOOP's work to strengthen and restructure the participating FOBs. Therefore, it does not seem reasonable to hold ACDI responsible for achieving all the Logframe outputs. Secondly, ACDI's approved budget for the SFAD Project includes only observational travel as a training mechanism. ACDI has no funds budgeted for general training. In reality, FINACOOP is responsible for all training, with the support of the TA team.

ACDI's technical assistance program had a difficult beginning. Although relations with the FINACOOP staff have always been cordial, there was little interest on the part of FINACOOP's senior management to use ACDI's technical services and advice after the TA team became established in mid-1993. The one exception was the financial advisor, who had a close personal relationship with FINACOOP's General Manager. Office space was not made available at FINACOOP, and the TA team worked for several months at the residence of the COP. After approximately eight months, the team found office space above a restaurant near the FINACOOP office. Because there was limited communications between the two groups and little feedback from FINACOOP as to its expectations of the TA team, the consultants worked for approximately a year without a clear vision of what FINACOOP expected, or desired. This difficult situation lasted until the new General Manager of FINACOOP was named in June, 1994.

There was also mis-communications between the TA team and USAID during this period. This was caused in part by the COP's lack of previous experience in working on USAID-funded projects, and may have been aggravated to some extent by the rotation of USAID Officers involved with the Project in late 1993. The mis-communication was also manifested by the inability of the TA team to prepare and submit a work plan for the entire Project which met USAID's approval. An initial work plan was submitted in June, 1993 which outlined the team's expected accomplishments for the remainder of the year. It was planned to follow this initial plan with a comprehensive work plan for the entire Project, covering the four-year period 1994-1997, inclusive. The initial draft was not approved by USAID. In the meantime, it was decided that the TA team's planned activities should be consistent with FINACOOP's plan, and that FINACOOP should submit a single plan covering both groups for 1994. Because of the management crisis at FINACOOP in early 1994, the TA team's work plan was never approved, and the team worked almost exclusively on the "strengthening FINACOOP" component of the Project until mid-1994.

ACDI finally submitted a workplan for the entire Project to USAID in December, 1994, covering the three-year period 1995-1997, inclusive. However, it is not clear from the document if the planned accomplishments will meet the objectives of the Project. The problem is that the contract between USAID and ACDI established quantitative global targets for the project and the work plan outlined qualitative goals for technical assistance to FINACOOP and the participating FOBs. Furthermore, the required outputs are shown in the Project Logframe as final targets (***ends***) while the work plan deals with intermediate targets (***means)***. It is important to note that achieving intermediate targets does not indicate Project effectiveness and impact, but rather that planned activities were carried out.

Notwithstanding the evaluation team's difficulty of interpreting the work plan, discussions with the COP indicate that the major difference between Project objectives and expected accomplishments is primarily in the number of new agribusiness investments undertaken by cooperatives or federations under the Growth component of the Project. According to the Logframe, by the end of the Project between 30 - 40 investments should be operational with a projected return above 15 percent; 30 - 40 loans should be made, and 50 studies completed. At present, by the end of the Project the TA team expects to complete no more than five agribusiness investment studies and to have made four to five loans.

The primary reason for the expected shortfall in Project outputs is that ACDI's contract is most explicit in its definition of the threshold the participating FOBs must cross before they can move from into the "growth" phase. Essentially the FOBs must have a three-year history of growth in membership, sales, assets, and equity as well as having strong administrative ability and a healthy balance sheet. Few of the client organizations that FINACOOP is now assisting are able to meet these criteria. Nor will they be able to meet the criteria before the PACD, in view of the three-year favorable track record which is required.

Since ACDI's activities under the Growth component have been constrained by the limited number of qualifying FOBs, the TA team has moved more and more into activities designed to strengthen FINACOOP, areas where the TA team believes that it has had the greatest impact on the Project to date is shown in Annex 7.

C. In the opinion of the evaluation team, the technical assistance resource available to the Project is under-utilized. The TA team provides investment services to *businesses* that have "graduated" from the *strengthening component*. Since few FOBs have thus far met the criteria for "growth", ACDI has no mandate to provide these services to "ungraduated" *businesses*. However, there is a substantial requirement for projects related to business development to be implemented while the FOBs are being restructured. The TA team should be used more aggressively in undertaking new projects.

For example, COOPAVIHL recently completed a warehouse expansion and broadened its product line, as part of the cooperative's restructuring process. The TA team was not involved in this activity, because it does not correspond to "growth". Instead, valuable time was spent by the Agribusiness

Project Officer to help carry out a stand-alone project. Surely the TA team is more experienced and better able to advise the cooperative in project-related activity than the Project Officer.

Another example is at COMARCA. This cooperative is planning a major expansion of its farm supply distribution network. By declaring this expansion to be a "project" and using the TA team to make the necessary market and distribution studies, investment analysis and cash flow projections, FINACOOP could better utilize the TA team and save the Project Officer's time.

On the other side of the coin, the evaluation team has considerable doubt that FINACOOP itself has developed a well-conceived strategy for the maximum utilization of the TA team. The impression carried away by the evaluation team is that the consultants are considered as simply another human resource assigned to a number of different Departments within FINACOOP, and the organization does not view them as a potentially powerful team that could be used with much greater effect to meet Project objectives.

OBSERVATIONS

1) The output targets under the Growth component of the Project will likely fall far short of Project objectives.

6.B. Review the use of the "opportunity screening methodology" for selecting investment opportunities.

DISCUSSION

A. Under the Growth component of the SFAD Project, eligible FOBs are encouraged to develop new business activities that build upon their existing operations. On the basis of the FOB's strategic plan, the TA team assists the business to identify and prioritize possible new business activities such as the establishment or expansion of a farm supply business, value-added processing of agro products, or investment in new products or services which have attractive market opportunities. The team works with the management of the cooperative or producer association to identify, prioritize and select among new investment opportunities.

B. The following screening methodology was described in the PROAG which provides guidance to FINACOOP in the selection of business opportunities.

a) The TA team is required to help the FOB update its strategic business plan. Under this process, business profiles should be developed for each commercial activity of the organization (e.g. input sales, coffee processing or credit operations) and analyzed to determine what opportunities for new business could exist for each activity. This analysis should provide an exhaustive list of investment possibilities.

b) Once a list of opportunities has been developed, each potential investment should be ranked against criteria that include factors such as benefits to cooperative members, the degree of management support, technological difficulty and the availability of raw materials. The opportunities should be ranked in order of their potential contribution to the business.

c) After potential investments have been selected and ranked, some of the top-ranked opportunities will most likely form the basis for in-depth feasibility studies. These studies should be carried out for three basic purposes: i) to provide information needed by the FOB to make a business decision on the proposed project, ii) to provide the rationale and financial justification for requesting bank financing, and iii) to develop and organize an initial information base which the FOB will need to manage the business.

The Agribusiness Investment Unit should help the participating FOBs to base their investment decision on information contained in the feasibility studies.

C. While the above procedures spelled out in the Project Agreement are comprehensive in scope, sophisticated, and far-reaching as a technique used to define investment opportunities, in the real world they are cumbersome, theoretical and impractical. What actually happens is that the new business options explored tend to be closely aligned with the FOB's core business, so that many of the steps described above are not necessary. The best way to illustrate this point is by comparing the ideal procedures described above with what actually happened at one cooperative now carrying out an agribusiness investment project under the Growth component.

COHORSIL: Over the course of the Project the AIU has made a number of background studies and industry analyses which leads them to believe that the greatest agribusiness investment opportunities in Honduras are in the following agro-industries: a) coffee, b) fertilizer distribution, c) fresh vegetable production for local markets as well as exports, and d) wood products. As a separate event, in 1992 COHORSIL made a survey of member needs which revealed that the members of the cooperative wanted the organization to expand the range of available services by opening a new fertilizer store, and to provide marketing services for the members' production of horticultural crops. Given the consistency between the FOB's desire to expand into vegetable marketing and the studies previously carried out by the TA team, a dialogue was opened between the two parties. As the project unfolded, the TA team became consultants to the FOB. COHORSIL, through an ad-hoc committee reporting to the Board of Directors, made the decisions regarding which activities to pursue, and the TA team responded to their needs. The TA team carried out three important activities during the first stage of the project: a) a membership survey, b) a review of the production capability of the cooperative member's farms, and c) a market survey. What the studies provided was market options, product options, production options, and an indication of what the members wanted. With this initial information in hand, COHORSIL hired a consultant to prepare a business plan which showed the seasonality of production, expected average market prices, and an estimate of the size of market. The plan also defined the market as being supermarkets and retailers in San Pedro Sula and La Ceiba, and the products as value-added vegetables which are cleaned, wrapped, and graded. Second quality products will be sold into the wholesale market.

COHORSIL also plans to build a small cold storage warehouse, and acquisition of the member's products will be done on a consignment basis. The cooperative will earn a marketing fee, and will retain funds to capitalize the enterprise. Participating farmers must also make an investment of L. 10,000 to provide initial capital for the venture, which will be complemented by funds provided by COHORSIL. An action committee has already been formed, and the new business is expected to begin during the next dry season during January - February, 1996.

Probably the most important aspect of this project was in the relationship between COHORSIL and the AIU. The cooperative was clearly in the driver's seat, and the AIU responded to their needs. At a point the TA team was no longer needed. This was a genuine consulting arrangement, and contrasts to the procedures defined in the Cooperative Agreement which appear to be more directed and "top down". Unquestionably the method used by the AIU is more participative and leads to greater receptiveness to technology transfer.

OBSERVATIONS

1) The procedures outlined in the "opportunity screening methodology" described in the Project Agreement tend to be cumbersome and impracticai. The method used by the TA team for developing potential agribusiness investments is more effective and leads to greater receptiveness to technology transfer.

7. How can the project (FINACOOP or the TA team) make better use of training in the strengthening of coops and implementing of the project?

DISCUSSION

A. During the start-up phase of this project people were trained to use the computers and software purchased for the project, also several study tours were arranged. In 1994 a descriptive comprehensive program of study was prepared by the training department for the 1995 Plan of Work and it was in the first quarter of 1995 that FINACOOP made a commitment to training as an important part of the project implementation plan. Courses on basic cooperative principles, and technical courses on the use of fertilizers and quality coffee launched the new initiative on training.

The 1995 quarterly reports prepared by FINACOOP to evaluate the progress of the USAID project and to document the achievement of project goals indicate that the institution is conducting an active training program. However this program is driven by the need to achieve rather than the need to change. The courses in this program offer the traditional approach to the development of cooperatives rather than the entrepreneurial approach necessary to affect the changes which this project hopes to instill in small farm enterprises. This supply side rather than needs driven approach to training is currently prejudicial to project development and runs the risk of becoming counter-productive.

B. During the start up phase of any innovative, that is, change-oriented project such as this one, careful attention must be paid to the human resource component. First the existing talent needs to be

evaluated in terms of the tasks which need to be accomplished and accomplished competently. Then a needs assessment must be conducted to analyze first the organizational development situation and the concurrent human resources available. Since this was not done during the first two months of the project serious difficulties in terms of training have arisen. It is not possible to play catch-up but strategic and effective training can be incorporated now.

Mid-way into the project a TA team conducted a training needs assessment and proposed a training plan. This work was the result of an intensive study of FINACOOP as a functional organization. The study made several astute observations about the problems FINACOOP faces in terms of the heterogeneous areas of expertise which the staff, especially those working as 'oficiales de proyecto' must master. At this point in the time frame of the project it would be judicious to look at the assessment very carefully and establish a realistic core set of needs.

Due to the delay it is unlikely that it will be possible to introduce all the recommendations of these studies in the time remaining in the USAID project. Nevertheless rapid implementation of the priority recommendations of the training needs assessment and the proposed plan are extremely urgent. This is the responsibility of FINACOOP and should be done immediately. Substantive training contributions can still be made particularly in the two areas of top level financial management expertise and with the change-oriented grassroots training strategy.

C. The current organizational structure of FINACOOP contains a Training Department with functions which are primarily administrative, with some degree of coordinating responsibilities with the training contractors. Under this project an organizational development study was conducted to analyze the organizational structure of FINACOOP. Careful analysis of this study is warranted to see if the Training Department should remain as it is. In terms of a long range plan for FINACOOP as an institution the current type of arrangement for a training function is probably suitable but it is not sufficient in order to launch a project such as this. There should be a short term intensive commitment to the human resource development component during the first three to four months of the project and a scaled down coordination effort can proceed after that.

FINACOOP brokers its training through various contractors such as FACACH, Zamorano, UNITEC and FHIA. There have been some discussions to work with these groups to adapt their training programs to the needs of FINACOOP 's implementation of this USAID project, but there is an immediate need of an **operational plan** in order to make these discussions a reality. This plan must be designed with specific responsibilities ,within a clearly defined time frame and with realistic deadlines, with actual field trials using focus groups in order to develop the appropriate training program.

Given the short time span between approval of the training needs assessment and implementation of the FINACOOP SMALL AGRIBUSINESS TRAINING PLAN, January 1996, the responsibilities of the Training Department are becoming overwhelming for one person. The work of coordinating the training being offered by the contractors could be given to a clerical staff person while the head of the Training Department works on the operational plan.

D. If FINACOOP wants to change the traditional concept of cooperatives held in Honduras to a concept of astute business practices it needs to embark on a strategic approach which works with the inter-relationship between FINACOOP and the client cooperatives. Strengthening one strengthens the others.

Within the organizational structure of FINACOOP is a training Department and within the cooperatives are Comites de Educacion. A strategic approach would define the role of the Training Department of FINACOOP as the liaison office with the Comites and through a seminar with these comites explain a realistic role for them in bringing entrepreneurial changes through a systematic use of FINACOOP's training plan. At this point in time training activities are isolated and there is no inter-related institutional reinforcement.

At the management level the cooperatives should work with the training department to introduce the appropriate changes in their operations in order to become better entrepreneurs. And at the level of general membership a special strategy needs to be developed with constant reinforcement such as the example that follows.

OBSERVATIONS

1) Introducing a training needs assessment mid-way in the project causes new difficulties and complicates project implementation because it becomes necessary to redefine priorities in terms of the mid-point project status. This can mean establishing a new focus and it emphasizes the immediacy of decision making in the use of training resources.

2) End of project indicators could have been positively affected by the implementation of a training plan with learning objectives such as; to improve quality of coffee, to improve farm management, to develop astute marketing skills. This was not the case since the training component was not an integral part of the project design.

3) An overburdened Training Department cannot complete the work necessary to produce the changes needed, in the time available, for the entrepreneurial orientation to the cooperative training programs of the contractors such as FACACH, Zamorano and UNITEC so that these programs can contribute to the project's goal.

4) There are existing training resources which FINACOOP could use in preparing adaptations to cooperative training materials and programs.

5) In the context of training there are two constraints facing the project, one is the problem which arose during the start up phase which caused the considerable delay in beginning training activities and the other is the lack of an integrated training plan.

The first cannot be dealt with but the second can be alleviated by preparing an <u>operation training plan immediately</u>. In order to do this in the brief time remaining between this evaluation and the new year,

it would be advisable to consider the use of a technical assistance Task Force. This could be done with a Task Force of people from FINACOOP but also including technical assistance from Honduran organizations and external TA, with advise or comments from Comites de Educacion of participating cooperatives.

6) For staff needs FINACOOP might consider contracting for needs-based executive level training programs: Decisions on short term, intensive, high priced executive education seminars, using the teaching style of MBA schools, needs to be carefully evaluated in terms of exactly what abilities and knowledge are most appropriate at this stage of development of the small farm businesses which are currently in the FINACOOP portfolio. The knowledge and abilities which are necessary to assist FINACOOP's clients to grow and prosper should determine which executive level financial management courses are most appropriate, reinforcing a needs based approach rather than a "pre-packaged" management training program.

Section III. Other Mission Issues

8. How can USAID/Honduras improve SFAD project management and administration?

DISCUSSION

A. The Project Agreement stipulated the technical assistance will be provided under a performance-based contract. A U.S. Office of Management and Budget policy letter defines performance-based contracting as "structuring all aspects of an acquisition around the purpose of the work to be performed as opposed to either the manner by which the work is to be performed or broad and imprecise statements of work". Work statements should "describe the work in terms of 'what' is to be the required output rather than 'how' the work is to be accomplished", and performance standards and monitoring plans should be measurable (qualities, quantities, timing, etc.).

The technical assistance contract uses this format to outline contractor responsibilities, which are identical to all the Logframe output indicators, even though the Project implementing agencies also include FINACOOP's predecessor, the American Institute for Free Labor Development, and the Government of Honduras. Guidance provided by USAID in early 1994 explained that the work plan is the document that fixes concrete targets and time frames to be used by USAID in judging contractual compliance. The contractor team did these plans which show the specificity and dates required to be performance-based.

This contracting mechanism becomes confusing precisely because it retains the "verifiable indicators" criticized in an earlier section when applied to the Logframe (and largely modified or dropped in later USAID status reports). If these measures are difficult to quantify or of doubtful meaning in the context of a project Logframe, they are even less useful as a guide to contractual compliance. Given the virtual inactivity of FINACOOP's program in 1993, the contractor is fortunate that such progress measures were not rigorously evaluated -- as the primary implementing entity (FINACOOP) was accomplishing little, the contractor could not have escaped the blame. The effectiveness of having

explicit targets becomes obvious when the key implementers coordinate their work from that plan, and in this sense performance-based contracting has been functional.

The manner in which this contract has been managed, however, is reasonable: joint work plans for FINACOOP and the technical assistance team are judged according to their completion. This allows flexibility and integration of efforts, rather than viewing activities as belonging to different implementing entities.

B. The technical assistance contract included a substantial amount of project administration tasks, such as commodity procurement and international travel, plus the usual start-up activities complicated by the physical separation of the contractor team from the counterpart office and from inadequate home-office backstopping. In September 1993 three technical directives were issued to clarify the following administrative areas: 1) contracting for short-term personnel services, 2) purchases of equipment by the contractor, and 3) reporting requirements to USAID. These technical directives assisted in guiding the contractor, and both USAID and contractor personnel indicated that no difficulties have been experienced.

C. Another important effort by the Mission was the Short-Term Action Plan drawn up in March 1994. This plan outlined a series of remedial actions deemed necessary to correct fundamental problems in the Project's implementation during the first 15 months. Virtually all of the actions addressed have been implemented, and those issues still pending are being dealt with as indicated in the following discussion.

Issue # 1 Action: *FINACOOP will document and use the COHORSIL and COMARCA cases to illuminate, motivate, and train other FOBs being strengthened.* FINACOOP should take care in using singular cases as models for other FOBs. These two FOBs are much more developed and comparison can be self-defeating for other FOBs. Specific task areas such as input inventory management, computerized record-keeping, and financial planning can be demonstrated as practical uses of new technology without losing applicability by other FOBs because of differences in scale and complexity.

Issue # 2 Action: *The TA team should emphasize advice to FOBs on the analysis and selection of business activities.* Most newer FOBs are small-scale operations that will not reach the "Growth" level in the foreseeable future and need advice in how to evaluate small incremental or complementary operations, not big investment projects.

Issue # 3 Action: *The Chief of Technical Services and the TA Information Systems Advisor will present a schedule for the implementation of an information system that measures the key indicators....* Many of the FINACOOP and FOB indicators have just recently been introduced, and their practical usefulness still has to be analyzed. Business operations and financial ratios are not absolute standards, but vary according to the type and scale of operations. Over time realistic values can be determined through careful comparison, and this would provide an excellent information base for a financial institution such as FINACOOP wishes to become.

Issue # 7 Comments: *Three of six FOBs have paid in stock and are qualified to vote.* The Action requested has been taken for four of FINACOOP's members, but there is another aspect involved -- the exceedingly limited membership. To prevent FINACOOP becoming a small club, new members should be actively sought for to add greater representation of FOB interests (as long as they qualify).

Issue # 10 Action: *If judged to be sustainable, FINACOOP should be chartered as a Bank....* The issue of sustainability is being addressed by FINACOOP with the help of the TA team, and is a priority. Therefore actions relating to this effort should be recognized as legitimate Project activities.

OBSERVATIONS

1) Mission involvement in Project management and administration has been active and well-directed, and the results have proven to be effective.

9. How effective has AIFLD been in strengthening ANACH cooperatives?

DISCUSSION

A. Participation of the American Institute for Free Labor Development (AIFLD) in the SFAD Project began on May 21, 1993 with the signing of a L. 2.4 million grant agreement with the Secretaria de Hacienda y Crédito Publico. The grant agreement provided funds to conduct training and to provide technical assistance and financial support to the Honduran National Association of Campesinos (ANACH) and five of its affiliated Regional Agricultural Cooperatives (CARs). AIFLD's primary objectives were to improve the operation of five CARs so that they would qualify to participate in FINACOOP's strengthening program, and to improve the administration and operations of three departments of ANACH to better provide support services to the affiliated CARs.

B. The reasons why USAID chose this implementation strategy are first, because ANACH and its cooperatives formed by agrarian reform beneficiaries are notably weaker than other cooperative associations, and require special attention to qualify as candidates for the FINACOOP program. Secondly, the political nature of ANACH makes it a candidate that could best be handled by AIFLD, given the latter's political experience.

AIFLD has worked in Honduras for more than thirty-five years. In the 1950s and 1960s the institution helped organize labor groups and campesino organizations. USAID/Honduras has supported AIFLD's efforts to strengthen ANACH and its affiliates since 1982. In 1988, AIFLD began working with ANACH and its regional cooperatives in support of the SFOS Project. The institution received a L. 3.5 million grant to prepare nine CARs for entry into FDF's strengthening program.

FINACOOP supervises AIFLD's activities under the SFAD Project. The original completion date for AIFLD's activities under the SFAD Project was August 31, 1994. However, in early 1994 the

completion date was extended without additional funding until August 31, 1995. Currently (October, 1995) AIFLD is working under an "informal" no-cost extension to complete a few tasks remaining in their scope of work.

The primary objective of AIFLD's work was to qualify at least five CARs affiliated with ANACH to enter the FINACOOP program. Minimum expected results specified in the grant agreement were the following:

a) A diagnostic analysis would be prepared for seven agricultural cooperatives that would demonstrate their strengths and weaknesses and would provide the basis for completing a strategic business plan for each cooperative.

b) Five cooperatives would qualify for assistance by FINACOOP under the SFAD Project. Restructuring agreements would be signed and in execution by the end of AIFLD's assistance.

c) Seven cooperatives would have functioning, up to date accounting systems providing suitable information to support management decisions.

d) Seven cooperatives would be strengthened by the process of developing an administrative team for each cooperative, composed of an accountant and a credit analyst.

e) A training program would be implemented for the CARs, oriented to the use of management and financial information by the assisted organizations.

In terms of administrative and reporting requirements, AIFLD was required to do the following:

f) Prepare and present annual operating plans to FINACOOP.

g) Define the strategy and procedures to be used by AIFLD and FINACOOP to qualify the CARs for affiliation with the latter organization.

h) Provide written evidence that ANACH had encouraged the CARs to work with FINACOOP.

i) Provide diagnostic and development plans for the first two CARs to be graduated to the FINACOOP program.

j) To develop and present the annual operating plans for the following year by December 10 of each year, and to provide quarterly reports to FINACOOP.

k) To keep accounting records for the use of Project funds.

l) To develop and install a financial information system which would consolidate financial information for the assisted cooperatives.

The results of AIFLD's work as of September 30, 1995 is shown in the following table.

AIFLD'S ACCOMPLISHMENTS UNDER THE GRANT AGREEMENT

NO.	NAME OF ORGANIZ.	STATUS OF COMPLETION - AIFLD				GROUPS ACCEPTED BY FINACOOP
		DIAGNOS. ANALYSIS	ACCT'G SYSTEM	ADMIN. SYSTEM	GROUPS PROPOSED BY AIFLD	
1	ANACH	1	1	1	1	0
2	CARCOMAL	1	1	1	1	0
3	CARPIHL	1	1	1	1	1
4	CARCOL	1	1	1	1	0
5	CARENMOL	1	1	1	1	0
6	CARCEFMOL	1	1	1	1	0
7	CARNOL	1	1	1	0	0
TOTAL		7	7	7	6	1
% COMPLETION OF OBJECTIVES		100%	100%	100%	100%	20%

Note: The percentage completion of objectives is based on the requirement that seven cooperatives would be strengthened, and five cooperatives proposed to FINACOOP.

There are a number of reasons for the wide difference between the number of groups proposed by AIFLD as candidates for FINACOOP's strengthening program, and those accepted by the latter organization:

a) The ANACH parent association has split into two competing political factions, each with an elected board of directors claiming to represent the entire association. FINACOOP has suspended all activity with ANACH until the organization has resolved its internal problems.

b) After CARCOMAL became a candidate for the FINACOOP strengthening program, the two organizations began to negotiate the restructuring agreement. CARCOMAL was unwilling to submit to the financial and operating discipline required under the program and negotiations were suspended.

c) AIFLD completed the preparatory work for CARPIHL and submitted background information on the cooperative to FINACOOP. CARPIHL has been accepted for the strengthening program.

d) AIFLD recently submitted the information packages for the CARCOL and CARENMOL cooperatives to FINACOOP, using analytical guidelines provided by the latter. The

information, and the cooperatives themselves are being evaluated by FINACOOP to determine if they will be invited to participate in the strengthening program.

e) Qualification documents for CARCEFMOL have not been received by FINACOOP.

f) After AIFLD completed its review of CARNOL it was decided that the cooperative was too weak to enter the restructuring process. This cooperative was not submitted as a candidate.

C. In general terms, FINACOOP is satisfied with the technical aspects of AIFLD's diagnostic work, but makes no promises as to whether or not the organizations will eventually be accepted into the restructuring program. Their concern is that the cooperatives are not sufficiently strong nor adequately prepared to qualify for the program. At best, they see no more than two to three cooperatives eventually qualifying.

Based on a review of a sample of the documents and the positive feedback received from FINACOOP, it is concluded that AIFLD performed well in the technical aspects of completing the analyses and carrying out the steps required to qualify the cooperatives to work with FINACOOP. Unfortunately, however, the impact of AIFLD's efforts will not be substantial, since only a limited number of cooperatives will likely be accepted by FINACOOP. Greater impact might have been achieved (or less time and effort expended without results) had there been better communication between all parties. For example, it appears odd that CARCOMAL would go through the entire qualification process and at the end refuse to submit to internal disciplinary measures, had they known from the outset what would be required under the restructuring process. Furthermore, had there been better communications between AIFLD and FINACOOP during the process of qualifying the cooperatives, it might have been possible to eliminate unacceptable candidates at an earlier stage. This could have provided an opportunity to select alternate candidates for restructuring, and the likely achievement of project goals.

A criticism of AIFLD's development of accounting and administrative systems in the benefitting cooperatives is that they tend to be too involved in the actual work. Instead of teaching the cooperative staff "how to", and providing feedback and assistance to correct mistakes which allows for the growth and development of the responsible person, AIFLD tends to do the work for the organization. The result is that the sustainability of the installed systems may be difficult after the work of the institute ends. A considerable amount of funds still remained in the Training line item at the end of AIFLD's contract, which should have been used to strengthen this activity.

Another criticism of AIFLD's performance is that the organization contracted a consulting firm to prepare seven modules of training but the delivered product was a series of informational booklets which did not satisfy FINACOOP's training needs.

OBSERVATIONS

1) AIFLD successfully carried out the process required under the grant agreement. However, because of insufficient planning and poor communication with the cooperatives and FINACOOP the impact of AIFLD's work is disappointing.

2) Given the availability of funds, more effort should have been placed on cooperative business organizations and training, reprogramming from surplus budget lines if needed.

3) The experience of this project shows that for successful execution, careful planning and good communications between the different implementing agencies as well as group participants are indispensable.

10. Does the project address the Strategic Objective it supports?

DISCUSSION

The USAID Mission's Strategic Objective is titled "Enhanced Economic Participation and Increased Incomes of the Poor". The SFAD Project relates directly to the first Program Outcome "Expanded Access and Opportunity through Empowerment of the Poor" since its stated project purpose is to "increase production, value-added processing and agricultural exports of participating farmer-owned businesses". The sub-outcomes under this Program Outcome that are relevant are as stated: a) number of loans to small holders, c) incremental employment attributable to USAID projects, and e) agricultural cooperatives serving local communities.

In 1995 FINACOOP commissioned a study to determine measures of agricultural production, member participation, value added, foreign exchange, and employment in seven FOBs in the program. According to the sample made of FOB members, 95 percent of these producers had no more than 28.6 manzanas (20 hectares). Most of those few larger producers were involved in extensive activities (dairy and agro-forestry); therefore most participating farmers are definitely small holders.

Most of the participating FOBs focus on services such as sales of needed inputs, facilitating limited production credit to acquire inputs, and product processing and marketing. These activities definitely reflect the concern embodying the Strategic Objective to provide greater access to the means of production by strengthening local business enterprises owned by small farmers. The outcome of these activities is an increase in employment and income from stimulating production and incorporating more value-added activities into the FOBs and stabilizing local input and produce markets.

OBSERVATIONS

1) Although the project focuses on FOBs that have a business orientation, the large majority of participants in this Project are small holders which benefit from the access both to production loans

and increased productive employment. The strategy of working through commercially oriented service organizations can reach the small holder, which is the target of this Strategic Objective.

2) At this time USAID/Honduras has six separate projects plus the PL-480 Title III program concerned with the above mentioned Program Outcome 1.1, and at least three of these projects target small farmer development. These projects seem to maintain communication among themselves in those areas of common interest and provide complementary program activities with impact on the Mission's Strategic Objective.

PART E. FINDINGS, RECOMMENDATIONS, CONCLUSIONS, AND LESSONS LEARNED

Section I. EOPS Indicators and Other Project Paper Issues

FINDINGS

1) Quantitative indicators are useful in determining Project impact and for focusing the Project purpose on tangible results. However when quality factors become important and basic activities change, quantitative progress indicators lose their comparative base. The Project does have a positive impact on production, employment, foreign exchange and value-added processing, but most participating service-oriented FOBs will not register much impact on these indicators during the Project's duration, except for processing. At best the PACD indicator values would reach $ 5 million for foreign exchange and $ 5 million for value-added.

2) In terms of program operations, the Project is progressing satisfactorily after having suffered severe initial delays. However, these EOPS indicators were too ambitious to be reasonable targets. Furthermore, the meaningful measurement of agricultural production would be onerous to maintain as a continual task for FINACOOP.

3) All reports prepared for the data bases by the SFAD project use gender disaggregated data; currently the data base for training participants is being developed and a pattern of women's attendance at the training activities will be monitored. Most of this type of available data relates to employment in the cooperatives and not to information about women's participation as members of cooperatives. It must be noted that these data are not differentiated, and therefore their relevance is limited.

RECOMMENDATIONS

1) The quantitative values of the EOPS indicators should be modified to reflect the Project's implementation capability and its limits. For example, the indicators of FOB viability should be the focus for judging the access of small farmers to agribusiness system services. Another factor to consider is the difficulty in compiling reliable data, such that the collection of information be manageable and not overly time-consuming. FINACOOP should initiate this effort of review,

redefinition, and quantification with the technical assistance team, in consultation with USAID's technical office.

CONCLUSIONS

1) More realistic results and output indicators and their respective targets will focus Project efforts on priority activities during the time remaining in the Project.

LESSONS LEARNED

1) Multi-year projects run the risk that future governments, implementation agencies, or natural events in the local and world economy will change the policy environment or influence the implementation in ways unforseen during the drafting and approval process of a project paper. Therefore project benchmarks and progress indicators should be closely related to those factors that are capable of being modified by project implementers and be as independent as possible from exogenous variables.

Section II. Project Implementation Issues

FINDINGS

1) FINACOOP's administrative restructuring program is soundly managed under the guidelines set out in the Project Agreement. However, the program could be improved in two important areas:

a) FINACOOP has never established clear-cut objectives for the overall development of the participating groups, therefore it is not clear when they can graduate from the FINACOOP restructuring program. The primary concern is to have participating FOBs become self-sustaining business entities. Without targets and mileposts against which the FOB's growth can be measured, the program will become self-perpetuating.

b) Management education does not play a sufficiently important role in the current administrative restructuring program. At a minimum, greater emphasis should be given to management development training to the management and board members of participating groups as part of the restructuring process.

2) ACDI's contract terms of reference contains two minor discrepancies when compared to the reality of Project implementation: a) ACDI's role is advisory in nature, and the organization should not be held responsible for achieving all the Logframe outputs. b) In reality, FINACOOP is responsible for all training under the Project. FINACOOP is supported by ACDI that is responsible for *observational travel* and advice on the training plan. Furthermore, the TA team is not being fully utilized to provide maximum benefit to the SFAD Project.

3) The lack of a specific training plan at the initiation of this project has been prejudicial to project development for two reasons: 1) there has not been an efficient use of this project resource, and 2) the training which is being conducted does not have the appropriate agribusiness perspective.

4) Training areas which appear to offer the most return on investment using available resources are 1) for upper-level management of FINACOOP in the relevant financial management for its goals, and 2) in entrepreneurial attitudes, habits and skills, implementing FINACOOP's grassroots strategy with the participating groups and their membership. There would be equal access for men and women to participate in both types of training.

RECOMMENDATIONS

1) FINACOOP should determine the requirements for graduation from the administrative restructuring program based on business sustainability for the participating groups, and a graduation ceremony held to commemorate the event. Strengthening activity should be limited to that which is necessary to reach that level of development, and assistance should not continue beyond graduation.

2) It is recommended that ACDI propose changes to USAID as to the contractor's responsibilities under the TA contract. Apparent discrepancies to be clarified are ACDI's responsibility for accomplishing all Logframe outputs, and for providing all training required under the Project. The TA team and FINACOOP should jointly re-define the role to be played by the resident advisors in the SFAD Project, with an eye toward better utilization of their services.

3) The major recommendation is for FINACOOP to organize a task force to start the preparation of an operational plan for small farmer business development training as soon as possible by using technical assistance, both Honduran and external expertise. This will enable FINACOOP to emphasize its change-oriented grassroots strategies and reinforce the financial management skills needed in the project. Prompt attention to this plan can assist FINACOOP to emphasize to implement their training strategy by the scheduled date of January 1996.

CONCLUSIONS

1) By clearly establishing measures of FOB sustainability, FINACOOP can graduate qualified performers, provide any additional assistance on a fee basis, and focus efforts on weaker FOBs.

2) FINACOOP would be able to receive the maximum benefit from the external technical assistance resources in the time remaining.

3) The education process would begin with an entrepreneurial focus that would continue long after the Project ends. FINACOOP staff would also become more highly trained in skills needed under an evolving organizational structure.

LESSONS LEARNED

1) A no-nonsense, disciplined approach to rural development, based on the principle of self-help and with clear implementation responsibilities and supported by an effective, timely information system for monitoring, is indispensable for success. In the present case, the agricultural cooperative lending program has been strengthened by formal contracts with cooperatives and ultimately, by execution of guarantees when non-compliance became impossible to overcome.

2) A highly detailed project design which defines implementation procedures with great precision can itself become a hindrance to effective implementation if the circumstances under which the project is carried out change substantially. Examples of this situation include: a) the design was too detailed with regard to the procedures spelled out for the identification of "growth" projects by ACDI -- fortunately, the contractor bypassed most of the detailed procedures; and b) the design has greatly constrained ACDI's work by its restrictive definition of when a cooperative can enter the "growth component", and its limited focus of ACDI's efforts, mainly in this activity.

3) A human resource development component contributes to the overall success of a project, success being positive results, when the component's program is initiated during the start-up phase so that the new skills and attitudes can be applied during the project. Nex management at FINACOOP has tried to rectify this problem by initiating an ambitious training program mid-way into the project but its impact will be severely hampered because of delays.

Section III. Other Mission Issues

FINDINGS

1) The issue of institutional sustainability is being addressed by FINACOOP with the help of the TA team, and is a priority.

2) Most of the FOB activities strengthened under the Project focus on services such as sales of inputs, facilitating limited production credit to acquire inputs, and product processing and marketing. These activities clearly reflect the concern embodying the Strategic Objective to provide greater access to the means of production by developing local farmer-owned businesses, as the outcome of these activities is an increase in employment and income.

RECOMMENDATIONS

1) Although implicit in the Project Paper, this issue was not expressly considered and yet is necessary to continue support to the FOB sector as a business service after the Project ends to maximize the benefits from the Project's investment by USAID, the GOH, and the participating FOBs and FINACOOP. For the remainder of the Project FINACOOP will need support to determine the feasibility of transforming itself into a sustainable and relevant financial institution for FOBs, and to

maximize the transfer of skills through the technical assistance contract, modifying it whenever necessary. Actions relating to this effort should be recognized as legitimate Project activities.

CONCLUSIONS

1) By establishing long-term institutional goals (which include self-sustainability), FINACOOP can coordinate its policies and activities, including program expansion, investments, personnel, training for clientele and for staff.

PART F. DEVELOPMENT BENEFITS FROM THE PROJECT

At the beginning of the Project, the assumed participating FOBs included ten thought to be in the position to export coffee and three with melons. Therefore the project objectives were stated in terms of production gains in major commodities, foreign exchange, value-added processing, and added employment. However this scenario did not take place, with only one FOB currently exporting coffee and no survivors from the melon trade. The above objectives still will be addressed, but achieving less than originally planned by PACD. In their place another development aspect with longer-term benefits has become the focal point of Project activities: FOBs with a stable business activity, much improved internal management and administrative capabilities, and solid commitment by membership expressed through capitalization and the use of the FOB economic activities.

In most cases of participating FOBs this longer-run approach has become possible through patient administrative restructuring and the debt reform which allow improvement in business practices without the previously unmanageable financial burden. The businesses gain valuable first-hand experience and the management and membership can learn the skills needed to survive as a service-oriented private sector entity. At the same time the FOBs have implemented the necessary practice of eliminating members who are not willing to participate in fortifying the group business. At first this led to sudden declines in supposed membership, but the end result has been a stronger, more focused organization in the short-run, and membership then begins to climb but with a solid base. Annex 8 compares initial base-year data with recent figures.

Several types of FOB service improvements are perceptible by members, especially in the areas of input supply and product marketing. Tangible benefits from input supply service include: 1) better quality, availability, and accurate weights at the retail level; 2) stabilization of price levels through volume purchases, not only for the FOB but also by competitive outlets. This activity also stimulates sound business practices, such as inventory controls, pricing policies, and frequent member capitalization, because of the fairly continual demand, whereas a marketing activity usually is limited to one or two intense seasons each year involving greater risk.

The second major area of FOB involvement is the marketing of produce. Important benefits that participants receive include: 1) accurate weighing of produce; 2) recognition of quality factors; 3) a transparent process to establish product sales value; 4) higher sales price level through volume transactions; and at times 5) setting a price level or providing a stable market outlet during the entire

harvest season. Further benefits can accrue to members if the FOB can offer value-added processing and export marketing, but these activities are more complex and require much higher levels of capitalization and membership commitment to ensure probable success.

The above benefits are difficult to quantify, but the following anecdotal experiences in input supply and marketing by a number of participating FOBs indicate that such activities do have a tangible positive impact for producers.

- COHORSIL Has steadily increased its market position and presently provides from 90 to 98 percent of the inputs used by members and non-members in the regions it supplies.

- COMARCA Has established a name brand for export of highland quality coffee which commanded a price premium last year, instead of selling at a lower discounted price. Currently is implementing improved processing facilities to further ensure quality product and expand its export capacity.

- UNIOCOOP Has gained a market share from 25 to 30 percent of the national sales of chemical fertilizers with 75 percent of sales to non-members. It has clearly functioned as force in regulating market prices, since competitor prices rose overnight by 25 percent in 1993 when UNIOCOOP suddenly was unable to import additional stock. Currently concluding a large importation of fertilizer.

- MAYA OCCIDENTAL Has established a local market position to retail inputs based on quality products, correct weights, and lower prices (12 percent less than competitors in fertilizers). Also serves as marketing channel for coffee, thereby ensuring accurate weights and quality classification. A recent example of benefit was the sale by an area producer to another coffee intermediary at the same price as Maya's: but with arbitrary quality discounts and improper weighing (it had been pre-weighed by Maya), the net sales price was Lp. 115 less per hundredweight. If this example could be extrapolated as indicative of coffee transactions without Maya's market presence, the sales difference last year would have meant Lp. 1.4 million less received by area coffee producers just for the volume handled by Maya.

- EACTSO Because of rice processing and wholesale marketing operations, it effectively has established a minimum purchase price for rice in the area based on milled rice prices. Other rice millers wait for this FOB to announce its price before they buy.

- COAVAL Because of its capacity to produce a variety of dairy items, this FOB absorbs milk production during the peak production season and maintains both price levels and quality standards for milk purchases. Other dairies either restrict purchasing to selected clients or pay half-price at peak times.

- CARPIHL Assisting members to introduce disease-resistant plantain stocks which can triple production and provide more standardized export quality; also serves as collection

center for product, obtaining a 25 percent greater sales price and with possible small volume exports to neighboring countries.

Presently the total number of FOB members in FINACOOP's program is approximately 4,400 persons. However by establishing standards and practices in the input and product markets, the impact of the program definitely is much broader. To estimate the potential influence of these FOBs which already have established services but without assuming any geographic expansion, the 1993 agricultural census was used to identify characteristics of the local areas they are active in townships.

Potential input market coverage is calculated from the number of farming units in the townships currently served by FOBs in the program or with UNIOCOOP. Farming units in areas where nine FOBs are active (COHORSIL, COMARCA, MAYA, Fruta del Sol, La Proveedora, CACTRIL, COAVAL, EACTSO, and 22 de Mayo) numbered 56,627 farms—18 percent of the 313,170 farms in townships nationwide that registered some input use.

Another measure of potential coverage relates to produce marketing services: ten FOBs provide some level of activity at this time (the nine mentioned above except for 22 de Mayo, plus COARENE). Within these townships there are 55,775 farming units, just under 18 percent of the national total of 317,199 farms.

A further indicator of possible influence would be the number of people (both temporary and permanent) employed on farms. The townships where these eleven FOBs operate accounted for 17 percent of the nation's total employed in on-farm activities: 159,060 out of 921,358 persons.

These numbers are not meant to imply that participating FOBs currently affect directly 17 to 18 percent of all farming units in Honduras. The fact that UNIOCOOP already has a 25 to 30 percent share of national fertilizer sales gives credence to the real possibility of substantial impact in the future. Over time FOB services will exert ever greater influence to the degree they actively support the agricultural sector on a sustainable basis for members and non-members alike. Since FINACOOP expects the program to reach 40 or more FOBs by the Project's end, many of which will offer similar services, thereby increasing its national coverage. According to current estimates, by the PACD there should be at least 30 FOBs operating at a profit and 40 showing substantial sales increases. Normally this alone would indicate sustainability if it represents a trend for these businesses. FINACOOP's focused strategy stressing solid business practices and restructuring will assist FOBs to become sustainable enterprises and expand their coverage and depth of services in the future.

ANNEXES:

1. FINACOOP: SFOS/SFAD PROJECTS CONSOLIDATED STATEMENT OF OBLIGATED FUNDS

2. FINACOOP CLIENTS

3. FINACOOP ORGANIZATIONAL CHART

4. FINACOOP ADMINISTRATIVE RESTRUCTURING PROGRAM STATUS (AUGUST 31, 1995)

5. FINANCIAL RESTRUCTURING DEBT OWED TO FINACOOP AT BEGINNING OF THE SFAD PROJECT

6. FINANCIAL RESTRUCTURING DEBT PRESENTLY OWED TO FINACOOP

7. SUMMARY OF TA TEAM RESULTS TO DATE (AUGUST 21, 1995)

8. KEY PERFORMANCE INDICATORS OF FINACOOP'S CLINENTS

9. MID TERM EVALUATION OF TRAINING COMPONENT

10. GENDER ISSUES

ANNEX 1

FINACOOP: SFOS/SFAD PROJECTS
CONSOLIDATED STATEMENT OF OBLIGATED FUNDS

(Lempiras, As of June 30, 1995)

COMPONENT	Obligated	TOTAL DISBURSED				Balance not Disbursed
		On 12/31/92	1993	1994	1995	
1. Administrative Restructuring	29,866,262	13,974,508	4,068,814	2,525,409	2,411,012	6,886,518
(a) SFOS	15,996,262	13,974,508	2,021,754	0	0	0
(b) SFAD	13,870,000	0	2,047,060	2,525,409	2,411,012	6,886,518
-- for cooperatives	11,415,000	0	2,047,060	2,525,409	2,061,012	4,781,518
-- for training	2,455,000	0	0	0	350,000	2,105,000
2. Financial Restructuring	46,788,000	31,634,000	0	4,894,529	0	10,259,471
(a) SFOS	31,634,000	31,634,000	0	0	0	0
(b) SFAD (cooperatives)	15,154,000	0	0	4,894,529	0	10,259,471
3. Budgetary Support	12,550,000	4,599,492	3,323,252	2,515,665	1,450,000	661,591
(a) FINACOOP	7,500,000	3,499,492	973,252	2,027,256	1,450,000	0
-- SFOS	4,000,000	3,499,492	508	0	0	0
-- SFAD	3,500,000	0	972,744	2,027,256	1,000,000	0
(b) HIDECOOP (SFOS)	2,650,000	1,100,000	1,550,000	0	0	0
(c) AIFLD/ANACH (SFAD)	2,400,000	0	800,000	488,409	450,000	661,591
TOTAL FOR BOTH PROJECTS	89,204,262	50,208,000	7,392,066	9,935,603	3,861,012	17,801,581
-- SFOS funding	53,780,262	50,208,000	3,572,262	0	0	0
-- SFAD funding [1]	35,424,000	0	3,819,804	9,935,603	2,861,012	17,801,581

Note: [1] Central Bank account has available Lp. 8,931,911

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ANNEX 2

SMALL FARMER AGRIBUSINESS DEVELOPMENT PROJECT

FINACOOP CLIENTS

NO.	NAME OF ORGANIZATION	TYPE OF ORGANIZATION	ASSISTANCE BEGAN	ASSISTANCE ENDED	(1) TYPE OF ASSISTANCE	PRINCIPAL ACTIVITY	CURRENT SITUATION
PREVIOUS CLIENTS							
1	20 de Marzo	Rural cooperative	1988	1994	AR; FR; CC	Farm supplies; grains	Assets being recovered through court action of May, 1995
2	CREHSUL	Rural cooperative	1988	1994	AR; FR; CC	Melon	Received court judgement against all assets in June, 1995
3	Lago de Yojoa	Rural cooperative	1988	1994	AR; FR; CC	Coffee	Received court judgement against all assets in June, 1995
4	ALGOSUR	Rural cooperative	1991	1994	CC	Cotton	Legal action is now pending
5	Candelaria	Rural cooperative	1988	1994	AR; FR; CC	Farm supplies; coffee	FINACOOP is taking administrative steps to recover debt.
6	Olancho	Rural cooperative	1988	1994	AR; FR; CC	Farm supplies; coffee	FINACOOP is taking administrative steps to recover debt.
7	ECARACI	Farmer's association	1994	March, 1995	TA	Citrus production	This cooperative has been disqualified
8	Triniteca	Rural cooperativetion	1993	June, 1995	TA	Farm supplies; coffee	This cooperative has been suspended
CURRENT CLIENTS							
1	UNIOCOOP	Second level organization	1988		AR; CC	Farm supplies	Undergoing consolidation process
2	COHORSIL	Rural cooperative	1988		AR; CC	Farm supplies	Undergoing consolidation process
3	Maya Occidental	Rural cooperative	1988		AR; FR; CC	Farm supplies; coffee	Undergoing reactivation process
4	Fruta del Sol	Rural cooperative	1988		AR; FR; CC	Farm supplies; Equipment services	Undergoing reactivation process
5	COMARCA	Rural cooperative	1991		AR; FR; CC	Farm supplies; coffee	Undergoing consolidation process
6	COOPIAVINL	Rural cooperative	1991		AR; FR; CC	Feed concentrate supplier	Undergoing consolidation process

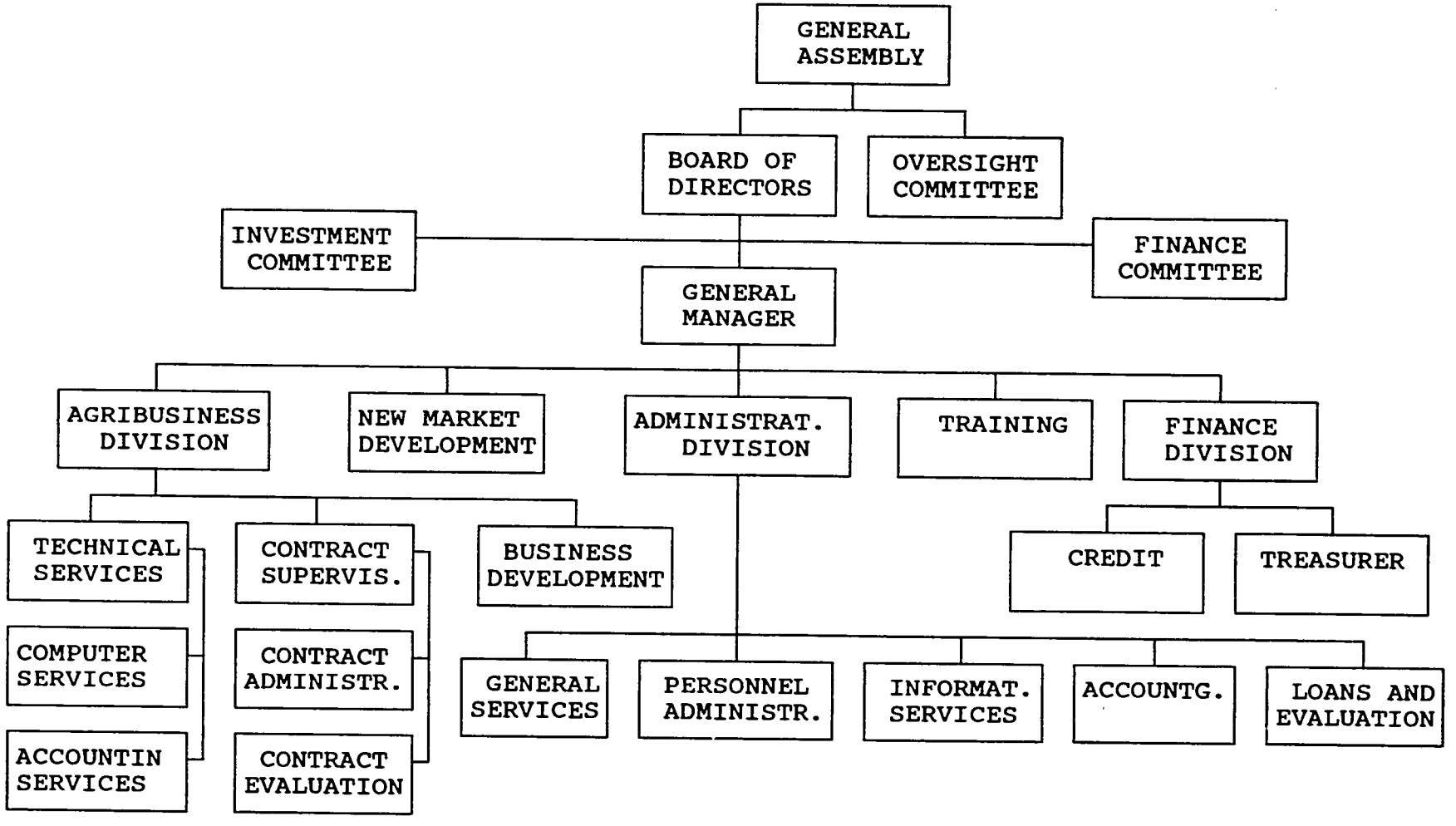
NO.	NAME OF ORGANIZATION	TYPE OF ORGANIZATION	ASSISTANCE BEGAN	ASSISTANCE ENDED	(1) TYPE OF ASSISTANCE	PRINCIPAL ACTIVITY	CURRENT SITUATION
7	COAVAL	Rural cooperative	1993		AR; FR; CC	Milk processing	Undergoing consolidation process
8	CARPINL	Rural cooperative	1993		AR; CC	Plantains	Undergoing reactivation process
9	La Provedora	Farmer's association	1993		AR	Farm supplies	Undergoing restructuring process
10	Villa Santa	Rural cooperative	1993		AR; FR	Sawmill and resin	Undergoing qualification diagnosis
11	EACTSO	Rural business association	1994		AR	Rice processing	Undergoing qualification diagnosis
12	COATLAHL	Rural cooperative	1994		AR	Sawmilling - scarce timber	Undergoing qualification diagnosis
13	22 de Mayo	Rural cooperative	1994		AR; CC	Farm supplies	Undergoing qualification diagnosis
14	Nuevo Eden	Rural cooperative	1995		AR	Coffee processing	Undergoing qualification diagnosis
15	CAPROCATAL	Rural cooperative	1995		AR	Sugar cane and derivatives	Undergoing qualification diagnosis
16	COHPAAL	Rural cooperative	1995		AR	Cattle feed concentrate	Undergoing qualification diagnosis
17	La Libertad	Rural cooperative	1995		TA	Skins and hides	Undergoing pre-qualification diagnosis
18	COAAL	Rural cooperative	1995		TA	Potatoes	Undergoing pre-qualification diagnosis
19	COPRAMAR	Rural cooperative	1995		TA	Shrimp	Undergoing pre-qualification diagnosis
20	CARCOL	Rural cooperative	1995		TA	Basic grains	Undergoing pre-qualification diagnosis
21	CICAL	Rural cooperative	1995		TA	Preserved and brined products	Undergoing pre-qualification diagnosis and special analysis
22	CARENMOL	Rural cooperative	1995		TA	Basic grains	Has been pre-qualified
23	ACISON	Citrus producer's association	1995		TA	Citrus products	Has been pre-qualified
24	Vega del Aguan	Rural cooperative	1995		TA	Wood products	Undergoing pre-qualification diagnosis and special analysis
25	Los Pinos	Rural cooperative	1995		TA	Lime production	Undergoing pre-qualification diagnosis
POSSIBLE FUTURE CLIENTS							
1	COAPINSA	Rural cooperative				Milk processing	Pending further analysis
2	AHCI	Rural cooperative				Sugar cane and derivatives	Pending further analysis
3	COCPAL	Rural cooperative				Basic grains	Pending further analysis

NO.	NAME OF ORGANIZATION	TYPE OF ORGANIZATION	ASSISTANCE BEGAN	ASSISTANCE ENDED	(1) TYPE OF ASSISTANCE	PRINCIPAL ACTIVITY	CURRENT SITUATION
4	ANAPLAH	Rural cooperative				Plantain marketing	Pending further analysis
5	CARCEFMOL	Rural cooperative				Basic grains	Pending further analysis
6	San Marqueña	Rural cooperative				Coffee marketing	Pending further analysis
7	San Antonio	Rural cooperative				African palm	Pending further analysis
8	ASAGI	Rural cooperative				Milk production	Pending further analysis
9	Agroforestal El Rosario	Rural cooperative				Sawmilling - pine timber	Pending further analysis
10	6 de Enero	Rural cooperative				Sawmilling	Pending further analysis
11	Subirana	Rural cooperative				Sugar cane and derivatives	Pending further analysis
12	COAGRIGUAL	Rural cooperative				Horticultural products	Pending further analysis
13	Sulaco Victoria	Rural cooperative				Basic grains	Pending further analysis

Source: FINACOOP
NOTE (1) : AR = Administrative restructuring; CC = Commercial credit; FR = Financial restructuring; TA = Technical assistance

ANNEX 3

FINACOOP ORGANIZATION



ANNEX 4

FINACOOP ADMINISTRATIVE RESTRUCTURING

PROGRAM STATUS (AUGUST 31, 1995)

NO.	NAME OF COOPERATIVE	AMOUNT BUDGETED (L. 000)	VALUE OF CONTRACTS WRITTEN (8-31-95) (L. 000)	ACTUAL EXPENDITURES (8-31-95) (L. 000)
1	COMARCA	528	518	61
2	Maya Occidental	333	333	205
3	COAVAL	380	894	173
4	CARPIHL	497	821	320
5	La Provedora	180	179	0
6	COHORSIL	138	138	68
7	COOPAVIHL	67	113	0
8	UNIOCOOP (1)	39	0	0
9	Fruta del Sol (1)	75	0	0
10	TRINITECA (2)	362	0	0
11	Villa Santa	109	73	16
12	EACTSO	144	170	0
13	COATLAHL	144	130	4
14	22 de Mayo	144	131	42
15	Nuevo Eden	144	50	0
16	CAPROCATAL	144	115	0
17	COHPAAL	144	142	0
18	COAAL (3)	144	0	0
19	La Libertad (3)	144	0	0
20	COPRAMAR (3)	144	0	0
21	CARCOL (3)	144	0	0
22	CARENMOL (3)	144	0	0
23	CICAL (3)	0	0	0
24	ACISON (3)	0	0	0
25	Vegas del Aguan (3)	123	0	0
26	Los Pinos	0	0	0
27	ECARACI (4)	123	0	0
TOTAL		4.538	3.807	889

Source: FINACOOP
NOTES: (1) In process; (2) Suspended; (3) Now in the qualification process; (4) Disqualified

ANNEX 5

FINANCIAL RESTRUCTURING DEBT OWED TO FINACOOP

AT THE BEGINNING OF THE SFAD PROJECT

(JANUARY 31, 1993)

NAME OF COOPERATIVE	DATE OF LOAN	PURPOSE OF LOAN	RATE OF INTEREST	AMOUNT OWED (L 000)	AMOUNT OVERDUE (L 000)	PERCENT OVERDUE
CREHSUL	27-09-90	Debt refinancing	4%	375	112	30%
CREHSUL	26-09-90	Pay third party debt	4%	2,743	820	30%
CREHSUL	27-09-90	Debt refinancing	12%	182	32	17%
Fruta del Sol	12-05-92	Pay third party debt	4%	1,394	0	0%
Olancho	19-10-89	Capital investment	4%	94	33	35%
Maya Occidental	04-02-92	Capital investment	12%	670	670	100%
Candelaria	25-10-89	Capital investment	4%	90	32	36%
Lago de Yojoa	18-07-90	Pay third party debt	6%	495	13	3%
Lago de Yojoa	24-10-90	Capital investment	6%	361	9	3%
Veinte de Marzo	25-10-91	Pay third party debt	4%	619	177	29%
Veinte de Marzo	25-10-91	Pay third party debt	4%	998	184	18%
TOTAL			5.1%	8,021	2,082	26%

Source: FINACOOP

ANNEX 6

FINANCIAL RESTRUCTURING DEBT

PRESENTLY OWED TO FINACOOP

(AUGUST 31, 1995)

NAME OF COOPERATIVE	DATE OF LOAN	PURPOSE OF LOAN	RATE OF INTEREST	AMOUNT OWED (L 000)	AMOUNT OVERDUE (L 000)	PERCENT OVERDUE
OLD LOANS:						
Candelaria	25-10-89	Capital investment	25%	60	60	100%
Fruta del Sol	12-05-92	Pay third party debt	28%	1,379	442	32%
Olancho	19-10-89	Capital investment	28%	95	95	100%
SUBTOTAL - OLD LOANS			27.8%	1,534	597	39%
NEW LOANS:						
COAVAL	18-08-95	Pay third party debt	28%	2,498	0	0%
COMARCA	24-06-93	Pay third party debt	28%	1,516	646	42%
COMARCA	13-08-93	Capital investment	28%	1,066	0	0%
COOPAVHIL	10-08-94	Capital investment	28%	2,002	0	0%
Maya Occidental	30-03-95	Debt refinancing	28%	656	0	0%
SUBTOTAL - NEW LOANS			28%	7,738	646	8%
TOTAL - ALL LOANS			27.9%	9,272	1,243	13%

Source: FINACOOP

Note: Old loans are those carried over from the SFOS Project (522-0252)

ANNEX 7

SMALL FARMER AGRIBUSINESS DEVELOPMENT PROJECT

SUMMARY OF OF TA TEAM RESULTS TO DATE (AUGUST 31, 1995)

I. IDENTIFICATION OF MOST PROMISING COMMODITY SYSTEMS BY CARRYING OUT AN INDUSTRY AND COMPETETIVE ANALYSIS

a) Developed regional and national strategies for the Honduras coffee industry.

b) Studied the national importation and local retail distributor of fertilizer.

c) Studied the production and marketing of domestic, value added fresh produce.

II. DETERMED THE REQUIREMENTS FOR TWO COOPERATIVE BUSINESSES TO SUCCEED

a) COOPAVIHL - Feed milling

b) COVAL - Dairy Farming

III. PROVIDED TECHNICAL SUPPORT TO STRENGTHEN FOBs (MOST IMPORTANTLY, COHORSIL, COMARCA, UNIOCOOP, COOPAVIHL, ANC COAVAL)

a) For coffee cooperatives, provided farm budget and cash flows for members, and installed "Fastcafe" software to track trading and physical position.

b) For coffee cooperatives, provided marketing assistance by installing "Future Source" software, and providing training in basic risk management.

c) Installed computerized inventory control systems for various cooperative distributors of farm inputs.

d) Assisted UNIOCOOP to consolidate their international procurement of fertilizer.

e) Assisted COPAVIHL optimize feed plant performance.

IV. PROVIDED SUPPORT TO FINACOOP

a) Contributed to the design and preparation of manuals covering FINACOOP's procedures and policies for i) selection of new FOBs, ii) developing FOB business plans, iii) administrative restructuring, and iv) financial restructuring. This support to FINACOOP has resulted in the strengthening of COHORSIL, COMARCA, UNIOCOOP, COOPAVIHL, COAVAL, CARPIHL, and Maya Occidental.

b) Help improve the performance of FINACOOP project officers through daily counseling, by i) speaking a "common language", ii) uning FINACOOP's tools, and iii) improved analytical ability.

c) Support the continuing improvement of Finance Division personnel through i) design of procedures for training in credit analysis; ii) revision of the credit manual and iii) assist the personnel in its application.

d) Design and install a management information systems to provide indicators of financial, operating, agronomic and labor-related performance of the FOBs.

e) Design the process for the gradual transformation of FIANCOOP into a sustainable financial institution. Initial steps include i) a workshop on the origins of a Costa Rican cooperative bank; ii) make a revision to the operating procedures and manuals of the Treasury Department, and iii) provide orientation to the board and senior management in contemporary banking issues.

V. GROWTH COMPONENT

Assisted COHORSIL and COMARCA to develop new agribusiness investment projects through a participative process that resulted in a thorough, continuing analysis of capital investment opportunities and new ventures. Two projects underway include wet coffee processing for COMARCA and fresh vegetable marketing for COHORSIL.

ANNEX 8

COMPARISON OF BEGINNING AND MOST RECENT KEY PERFORMANCE INDICATORS OF FINACOOP'S ACTIVE CLIENTS

NAME OF ORGANIZATION	PERIOD OF ASSISTANCE	NO. MEMBERS	ANNUAL SALES (L. 000)	ANNUAL PROFIT (L.000)	ASSETS (L.000)	TOTAL EQUITY (L.000)	MEMBER CAPITALIZATION (L. 000)	EQUITY/ ASSETS	MEMBER CAP/ASSETS
UNIOCOOP									
Base year data	1989	8	7,644	238	8,151	920	71	0.11	0.01
Last period data	1994	13	37,516	4,410	23,744	5,598	1,183	0.24	0.05
Average annual % change	5 years	10	37	79	24	44	76	17	38
COHORSIL									
Base year data	1989	200	2,850	200	1,534	614	257	0.40	0.17
Last period data	1994	310	19,116	1,070	7,074	4,215	1,959	0.60	0.28
Average annual % change	5 years	9	46	40	36	47	50	8	10
Maya Occidental									
Base year data	1990	308	5,562	(10)	3,560	418	387	0.12	0.11
Last period data	1994	151	6,960	(687)	4,726	(626)	442	-0.13	0.09
Average annual % change	4 years	-16	6	-188	7	-26	3	-20	-5
Fruta del Sol									
Base year data	1990	250	757	(286)	5,448	(1,584)	551	-0.29	0.10
Last period data	1994	65	1,502	433	5,928	2,288	674	0.39	0.11
Average annual % change	4 years	-29	19	22	2	22	5	22	2
COMARCA									
Base year data	1991	200	13,083	(214)	8,131	(1,884)	919	-0.23	0.11
Last period data	1994	525	29,796	2,469	15,237	5,397	931	0.35	0.06
Average annual % change	3 years	38	32	22	23	25	0	28	-18

NAME OF ORGANIZATION	PERIOD OF ASSISTANCE	NO. MEMBERS	ANNUAL SALES (L. 000)	ANNUAL PROFIT (L.000)	ASSETS (L.000)	TOTAL EQUITY (L.000)	MEMBER CAPITALIZATION (L. 000)	EQUITY/ ASSETS	MEMBER CAP/ASSETS
COOPAVIHL									
Base year data	1992	36	7,999	27	2,175	330	247	0.15	0.11
Last period data	1994	30	14,001	437	4,667	1,062	515	0.23	0.11
Average annual % change	2 years	-9	32	302	47	79	44	24	0
COAVAL									
Base year data	1993	52	7,368	188	4,419	2,418	273	0.55	0.06
Last period data	1994	52	8,520	(465)	5,299	1,901	2,140	0.36	0.40
Average annual % change	1 year	0	16	-347	20	-21	684	-35	567
CARPIHL									
Base year data	1993	60	80	(16)	94	82	18	0.87	0.19
Last period data	1994	21	22	5	118	106	28	0.90	0.24
Average annual % change	1 year	-65	-73	81	26	29	56	3	26
La Provedora									
Base year data	1994	323	244	45	159	111	20	0.70	0.13
Last period data	1994	323	244	45	159	111	20	0.70	0.13
Average annual % change	0 years	0	0	0	0	0	0	0	0
Villa Santa									
Base year data	1994	212	1,120	(77)	1,369	959	503	0.70	0.37
Last period data	1994	212	1,120	(77)	1,369	959	503	0.70	0.37
Average annual % change	0 years	0	0	0	0	0	0	0	0
EACTSO									
Base year data	1994	99	1,367	(15)	2,676	1,478	23	0.55	0.01
Last period data	1994	99	1,367	(15)	2,676	1,478	23	0.55	0.01
Average annual % change	0 years	0	0	0	0	0	0	0	0
COATLAHL									
Base year data	1994	415	1,494	184	1,874	1,345	247	0.72	0.13
Last period data	1994	415	1,494	184	1,874	1,345	247	0.72	0.13
Average annual % change	0 years	0	0	0	0	0	0	0	0
22 de Mayo									
Base year data	1994	81	310	16	204	67	51	0.33	0.25
Last period data	1994	81	310	16	204	67	51	0.33	0.25
Average annual % change	0 years	0	0	0	0	0	0	0	0

NAME OF ORGANIZATION	PERIOD OF ASSISTANCE	NO. MEMBERS	ANNUAL SALES (L. 000)	ANNUAL PROFIT (L.000)	ASSETS (L.000)	TOTAL EQUITY (L.000)	MEMBER CAPITALIZATION (L. 000)	EQUITY/ ASSETS	MEMBER CAP/ASSETS
COARENE									
Base year data	1994	130	1,397	25	285	120	31	0.42	0.11
Last period data	1994	130	1,397	25	285	120	31	0.42	0.11
Average annual % change	0 years	0	0	0	0	0	0	0	0
CAPROCATAL									
Base year data	1994	89	2,124	10	360	176	120	0.49	0.33
Last period data	1994	89	2,124	10	360	176	120	0.49	0.33
Average annual % change	0 years	0	0	0	0	0	0	0	0
COHPAAL									
Base year data	1994	52	914	51	573	549	292	0.96	0.51
Last period data	1994	52	914	51	573	549	292	0.96	0.51
Average annual % change	0 years	0	0	0	0	0	0	0	0
La Libertad									
Base year data	1994	n/a	5,654	816	3,659	2,323	428	0.63	0.12
Last period data	1994	n/a	5,654	816	3,659	2,323	428	0.63	0.12
Average annual % change	0 years	n/a	0	0	0	0	0	0	0

ANNEX 9

Mid term Evaluation of Training Component of the Small Farmer Agribusiness Development Project \ FINACOOP

Contents:

A. Executive Summary

B. Background

C. Findings

D. Salient Issues

E. Conclusions

F. Lessons Learned

G. Recommendations

A. EXECUTIVE SUMMARY

Training in this mid-term evaluation is being considered as a Project Implementation Issue. The question which directs the evaluation is "How did training contribute to the development of the project, the end of project status indicators and to the development of productive results."

In this analysis it is apparent that an investment in training to affect the desired changes in the participating institutions was not given sufficient consideration. Training is not regarded as a strategic input and therefore the results produced by training will probably be found outside of the expected outcomes. Due to the late appreciation of the need for training, planning and implementation must begin as soon as possible if training is to have impact.

At this mid-point in the project there are three areas of major concern for training which are:
1) FOCUS, 2) PRIORITIES, and 3) IMMEDIACY.

1) FOCUS
As FINACOOP defines its mission more precisely it concentrates more on financial management and offering financial services. This has definite implications for a training program.

2) PRIORITIES
The two training areas which appear to offer the most return on investment using available resources are ① training program for upper level management of FINACOOP in the relevant financial management for its mission goals, and ② a training program in entrepreneurial attitudes, habits and skills implementing FINACOOP's grassroots strategy with the participating cooperatives and their membership.

3) IMMEDIACY
It is imperative that the Training Department of FINACOOP prepare an operational plan for The FINACOOP SMALL FARMER BUSINESS DEVELOPMENT TRAINING PLAN, with a time line between now and the first of the year ('96,) with tasks, responsibilities, and resources all defined. This plan would have to include field trials of new adaptations of the training programs being discussed with local contractors if these are to become what FINACOOP expects to be the TOOLS FOR CHANGE.

Recommendation

The major recommendation is to start the preparation of an operational plan for the FINACOOP SMALL FARMER BUSINESS DEVELOPMENT TRAINING PLAN as soon as possible by using technical assistance, both Honduran and external expertise. This will enable FINACOOP to begin their change-oriented grassroots strategies and reinforce the financial management skills needed in the project. Prompt attention to this plan can assist FINACOOP to begin to implement their training strategy by the scheduled date of January 1996.

B. BACKGROUND

The salient factor to keep in mind in analyzing the mid-term status of the training component of the SMALL FARMER AGRIBUSINESS DEVELOPMENT project is the negative consequences of an ineffective and inefficient start up phase of the project.

Not only did this cause significant delays in implementation but the demoralizing atmosphere indicated by frequent staff turnover in the host institution, FINACOOP, and the consequent lack of credibility as an institution, has made the challenge to reach the USAID project goals a formidable one.

Fortunately eighteen months ago a new executive director came into FINACOOP and he has completely revitalized the institution. During the past year and a half FINACOOP has become a viable, productive institution offering its services to increasing numbers of agricultural businesses.

The success of FINACOOP depends on successful financial relations with a broad range of other organizations (small farm businesses) with a special inter-relationship, without interdependency, between FINACOOP and its participating clients. This inter-relationship has significant implications for an appropriate training plan. It becomes obvious that the client coops must be skilled in business management and productivity in order to meet their obligations. However in order to do this, FINACOOP will assist them , and part of this assistance is training, thus FINACOOP regards training as an essential tool for change.

It was not until one month prior to the mid term evaluation that an external technical assistance team prepared a training needs assessment and a training plan proposal. These documents are currently being studied and the recommendations are under consideration by the executive director of FINACOOP, the Board of Directors and other principals.

C. FINDINGS

During the start-up phase of this project people were trained to use the computers and software purchased for the project, also several study tours were arranged. In 1994 a descriptive comprehensive program of study was prepared by the training department for the 1995 Plan of Work and it was in the first quarter of '95 that FINACOOP made a commitment to training as an important part of the project implementation plan. Courses on basic cooperative principles, and technical courses on the use of fertilizers and quality coffee launched the new initiative on training.

The 1995 quarterly reports prepared by FINACOOOP to evaluate the progress of the USAID project and to document the achievement of project goals, indicate that the institution is conducting an active training program, however this program is driven by the need to achieve rather than the need to change. The courses in this program offer the traditional approach to the development of cooperatives rather than the entrepreneurial approach necessary to affect the changes which this project hopes to

instill in small farm enterprises. This supply side rather than needs driven approach to training is currently prejudicial to project development and runs the risk of becoming counter-productive.

C.1 Needs Assessment

During the start up phase of any innovative, that is, change-oriented project such as this one, careful attention must be paid to the human resource component. First the existing talent needs to be evaluated in terms of the tasks which need to be accomplished and accomplished competently. Then a needs assessment must be conducted to analyze first the organizational development situation and the concurrent human resources available. Since this was not done during the first two months of the project serious difficulties in terms of training have arisen. It is not possible to play catch-up but strategic and effective training can be incorporated now.

Mid-way into the project a TA team conducted a training needs assessment and proposed a training plan. This work was the result of an intensive study of FINACOOP as a functional organization. The study made several astute observations about the problems FINACOOP faces in terms of the heterogeneous areas of expertise which the staff, especially those working as 'oficiales de proyecto' must master. At this point in the time frame of the project it would be judicious to look at the assessment very carefully and establish a realistic core set of needs.

Due to the delay it is unlikely that it will be possible to introduce all the recommendations of these studies in the time remaining in the USAID project. Nevertheless rapid implementation of the priority recommendations of the training needs assessment and the proposed plan are extremely urgent. This is the responsibility of FINACOOP and should be done immediately. Substantive training contributions can still be made particularly in the two areas of top level financial management expertise and with the change-oriented grassroots training strategy.

C.2 Training Department

The current organizational structure of FINACOOP contains a Training Department with functions which are primarily administrative, with some degree of coordinating responsibilities with the training contractors. Under this project an organizational development study was conducted to analyze the organizational structure of FINACOOP. Careful analysis of this study is warranted to see if the Training Department should remain as it is. In terms of a long range plan for FINACOOP as an institution the current type of arrangement for a training function is probably suitable but it is not

be designed with specific responsibilities, within a clearly defined time frame and with realistic deadlines, with actual field trials using focus groups in order to develop the appropriate training program.

Given the short time span between approval of the training needs assessment and implementation of the FINACOOP SMALL AGRIBUSINESS TRAINING PLAN, January 1996, the responsibilities of the Training Department are becoming overwhelming for one person. The work of coordinating the training being offered by the contractors could be given to a clerical staff person while the head of the Training Department works on the operational plan.

C.3 Finacoop as a Learning Organization

In many respects FINACOOP can be viewed as a LEARNING ORGANIZATION, a concept modern managers regard as the most productive organizational style.

The diversity of talent and skills needed to develop FINACOOP such that it will reach USAID project goals precludes training from being the only input for human resource development.There are many ways to provide learning opportunities such as:

- use of TA (USAID contractors and local contractors)
- use of manuals (consistency, multiplier effect)
- use of software programs (consistency, efficiency)
- use of mentor model (sending FINACOOP personnel to certain coops)
- use of organizational structure and personnel selection
- use of model coops as benchmark examples
- use of training programs (relevance, control of impact)

One problem FINACOOP has lies in not fully utilizing the potential strength of training programs to produce impact. Relevance to a specific need gives training programs of the advantage of offering the highest return on an investment of all learning activities.

C.4 Training and Personnel Policies

It is always more efficient to hire the skilled talent to perform a job rather than to train new people in an organization.

The importance of clear, precise job descriptions for performance based training cannot be over-emphasized. When job responsibilities become too diverse and too open ended, the training program loses its effectiveness. It is here that the heterogeneity of the duties of the FINACOOP staff come into play.

An investment in training the personnel of FINACOOP and the participating cooperatives must be take into account the turnover rate in the different organizations. This is particularly important in the training in the use of new technology. As people become better trained in the use of computers they also find that these skills are very marketable.

C.5 Existing Resources

Several organizations have been identified which have developed training programs with appropriate training materials in the areas of small business development. CADREH has developed some basic accounting training modules for the Banco CentroAmerican which could be reviewed, also they have designed some materials which are in the process of being developed in the area of micro-enterprises. The Gerentes y Empresarios Asociasion has had a successful USAID project training people in small business practices. Training materials were produced which also could be reviewed.

The Peace Corps is interested in developing small business training for adolescent youth.

In the area of literacy many organizations have experience in this field but USAID has just started a Basic Education Program which could be very relevant. This Basic Education program has been conducting field trails of their new system for three years using a combination of print material, radio and facilitators. This program goes beyond literacy and offers an alternative primary education going through six grades or levels. Since it is more comprehensive than literacy the studies which have been conducted indicate that the participants are learning productive skills.

Another USAID program, HOPS, sends people to the United States for short term technical training. A group from FACACH has participated in this program.

C.6 Outputs / Charts (See Annex)

The personnel of FINACOOP, and staff and members of coops have participated in numerous training activities and observational tours which indicates an appreciation of the need to enhance their skills and knowledge. Even though there is no systematic approach to these activities they have been evaluated informally. In order to document this type of project output charts have been included as an annex.

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List of Charts	
• Chart # 1	Courses in Cooperatives
• Chart # 2	Courses in Finacoop
• Chart # 3	Personnel
• Chart # 4	Organizational Structure
• Chart # 5	Manuals
• Chart # 6	Databases
• Chart # 7	Study Tours

D. SALIENT ISSUES

D.1 Training as a Strategic Investment

If FINACOOP wants to change the traditional concept of cooperatives held in Honduras to a concept of astute business practices it needs to embark on a strategic approach which works with the inter-relationship between FINACOOP and the client cooperatives. Strengthening one strengthens the others.

Within the organizational structure of FINACOOP is a training Department and within the cooperatives are Comites de Educacion. A strategic approach would define the role of the Training Department of FINACOOP as the liaison office with the Comites and through a seminar with these comites explain a realistic role for them in bringing entrepreneurial changes through a systematic use of FINACOOP's training plan. At this point in time training activities are isolated and there is no inter-related institutional reinforcement.

At the management level the cooperatives should work with the training department to introduce the appropriate changes in their operations in order to become better entrepreneurs. And at the level of general membership a special strategy needs to be developed with constant reinforcement such as the example that follows.

Learning Objectives

The development of strategic training objectives proceeds from an analysis of the crucial factors which will produce the desired expected results for project success. Training activities always produce results because people are undergoing structured experiences which influence their lives either positively, negatively or reinforce the status quo. Positive results require a strategy.

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Areas for Strategic Training Objectives

I		II
Strengthening FINACOOP		Developing New Businesses
↕	→	
Strengthening FOBs		

Example of Learning Objective

1) To Change traditional habits and attitudes regarding small farm business management into entrepreneurial skills and habits.

   Strategic Approach:

   1) Capture peoples attention by reaching them where they "feel" the issues (academically known as culturally appropriate).

   2) Use focus groups to edit and polish the message (never assume people understand a message).

   3) Use a consistent approach with commitment from top management and

   ALWAYS USE REPETITION, REDUNDANCY, REINFORCEMENT.

   (This approach to changing attitudes is found in the field of commercial advertising).

Training Investment Input/Output Analysis

In the analysis of the investment to be made in training a breakdown should be made to determine what **skills** are needed to carry out the necessary **work** in order to produce the **output** desired.

SKILL	WORK	OUTPUT
Prepare marketing plan	advertize	increased sales

D.2 Entrepreneurial Focus

The focal point of the SFAD project is the **change factor** which will make the view of cooperatives as businesses replace the traditional view of coops as providers of benefits.

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This is a challenge because the agricultural coop. movement has become accustomed to the status quo. FINACOOP is in the process of developing an identity as the organization which is capable of making this change. As is pointed out in the two consultant reports on the Needs Assessment and the Training Plan it is very important for FINACOOP to promote its image as a change agent. These recommendations should be acted upon soon.

D.3 Literacy / Grassroots Strategy

In a program of literacy there are certain points that must be taken into consideration:

- sustainability-will the people have access to reading material and the time to use it?
- economic viability - will the people be able to afford newspapers or magazines?
- availability of material - will newspapers et. al. be distributed in rural areas.
- integral part of life style - will people regard the skills of reading to be important?
- experience of trainers - do trainers understand adult learning style.

As more and more schools are built in rural areas the illiteracy problem should start to diminish as children can assist in the home by reading simple material to their family members who cannot read.

D.4 Information Technology

The importance of the timely use of information is particularly relevant to reaching 1) productivity, 2) reduced cost, and increased efficiency goal scan be very important for this project. In two coops which were visited the managers cited the importance of information technology, one in the control of inventory and the other in the preparation of animal feed.

Working with small farm businesses PROACORAC has proven that a knowledgeable use of fertilizer on tomato crops in the Comayagua area could cut cost of production significantly. Also a USAID/ROCAP ten year long research project on diseases of coffee plants has produced a data bank of relevant information for coffee producers. The intelligent application of information technology can assist small farm businesses through the TA services which FINACOOP can offer.

FINACOOP needs to improve their message delivery system by simplifying the style of communication, using clear precise materials such as posters, and incorporating a page in their newspaper which teaches basic entrepreneurial skills in a relevant style with large print, graphics and a light or amusing approach.

D.5 Training Of Trainers

A very careful consideration of this point results in an analysis of the responsibilities of the current staff of FINACOOP and it would not seem prudent to include a teaching responsibility on top of all other tasks. It is advisable to reconsider this suggestion. If the need is for presentation skills and report writing skills a different type of training would be more appropriate.

E. CONCLUSIONS

The lack of a specific training plan at the initiation of this project has been prejudicial to project development because there has not been an efficient use of this project resource and because the training which is being conducted does not have the appropriate agribusiness perspective.

Introducing a training needs assessment mid-way in the project causes new difficulties and complicates project implementation because it becomes necessary to redefine priorities in terms of the mid-point project status. This can mean establishing a new focus and it emphasizes the immediacy of decision making in the use of training resources.

An overburdened Training Department cannot complete the work necessary to produce the changes needed, in the time available, for the entrepreneurial orientation to the cooperative training programs of the contractors such as FACACH, ZAMORANO and UNITEC so that these programs can contribute to the project's goal.

There are existing training resources which FINACOOP could use in preparing adaptations to cooperative training materials and programs.

F. LESSONS LEARNED

In a change-oriented project such as the SFAD project it was unfortunate that the human resource dimension was not included in the project design. The term "training" appears once in the project agreement and then without an operational context. It is strange that a training needs assessment was not stipulated when the project goal was to **change a firmly established set of habits and attitudes in the traditional cooperative sector.**

A human resource development component contributes to the overall success of a project, success being positive results, when the component's program is initiated during the start-up phase so that the new skills and attitudes can be applied during the project. The SFAD project has tried to rectify this problem by initiating an ambitious training program mid-way into the project but its impact will be severely hampered because of delays.

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End of project indicators could have been positively affected by the implementation of a training plan with learning objectives such as; to improve quality of coffee, to improve farm management, to develop astute marketing skills. This was not the case since the training component was not an integral part of the project design.

G. RECOMMENDATIONS:

G.1 Task Force Preparation of a Training Operational Plan

In the context of training there are two constraints facing the project, one is the problem which arose during the start up phase which caused the considerable delay in beginning training activities and the other is the lack of an integrated training plan.

The first cannot be dealt with but the second can be alleviated by preparing an OPERATION TRAINING PLAN IMMEDIATELY. In order to do this in the brief time remaining between this evaluation and the new year, it would be advisable to consider the use of a technical assistance Task Force. This could be done with a Task Force of people from FINACOOP but also including technical assistance from Honduran organizations and external TA, with advise or comments from Comites de Educacion of participating cooperatives.

The work of the Task Force would be to first, assist FINACOOP prepare the contracts of work with the various training contractors such that the changes that FINACOOP expects in the new training programs would be guaranteed, and then develop a timeline for the tasks each contractor would need to accomplish. This would be followed by a monitoring and supervision schedule until all necessary revisions would be completed. All contracts would include evaluation plans.

G.2 Contract Need Based Level Training Programs

Decisions on short term, intensive, high priced executive education seminars, using the teaching style of MBA schools, needs to be carefully evaluated in terms of exactly what abilities and knowledge are most appropriate at this stage of development of the small farm businesses which are currently in the FINACOOP portfolio. The knowledge and abilities which are necessary to assist FINACOOP's clients to grow and prosper should determine which executive level financial management courses are most appropriate, reinforcing a needs based approach rather than a "pre-packaged" management training program.

ANNEX 10

GENDER ISSUES

Women and Cooperatives

The SFAD project deserves applause for including a gender study in its plan of work. This "Investigation of Participation by Gender"(Amalia Alberti, Ph.D., June '95) studied the activities of five coops of FINACOOP using a non-random sample of 98 households and found no obvious impediment to women's participation in cooperatives. However, it is important to point out that it was only in 1992 that legislation permitted women to have title to land, and then only under certain circumstances. The study recommended that FINACOOP become pro-active in assisting women to form and join agribusiness organizations and become affiliated with FINACOOP. The "new markets" department of FINACOOP is currently doing this.

Women and Farm Labor

Other reports state that women traditionally work at home and in family gardens and do not engage in culturally designated male labor such as cultivating crops or tending cattle. Also it is said that women are not represented in the hired farm labor force. It must be noted that even though women are not considered to be part of hired farm labor they often work as part of the family unit when the man receives the work contract. Their work is referred to as "hidden labor" and is excluded in some reports because wages are paid to the man.

Data are difficult to collect and many surveys do not study the issues of women's work with sufficient precision. Also women themselves often are not permitted to answer the questions of a rural survey and data comes through a male filter.

In discussions with professional women working in rural areas information concerning women's participation in farm work is consistent on one point. All agree that women's work is under-represented and that many women assist in the field when it is necessary. Also, all agree that the current studies do not provide sufficient and adequate information.

Disaggregated Data

All reports prepared for the data bases by the SFAD project use gender disaggregated data, currently the data base for training participants is being developed and a pattern of women's attendance at the training activities will be monitored. Most of this type of data relates to employment in the cooperatives and not to information about women's participation as members of cooperatives. It must be noted that such data are expressed in general terms, and therefore the usefulness is limited. As an example on a personnel chart two people appear in upper management, one male and one female, the general manager is male and his secretary is female.

APPENDICES:

1. EVALUATION SCOPE OF WORK
2. BIBLIOGRAPHY OF DOCUMENTS CONSULTED
3. PERSONS CONTACTED
4. ACRONYMS

NOTE: A discussion of both the Project's Logical Framework and the methodology and indicators are included in the evaluation's text.

APPENDIX 1

Terms of Reference
First Mid-Term Evaluation
Small Farmer Agribusiness Development Project (SFAD)

IV. SCOPE OF WORK

The evaluation team shall address the following questions and present their work as findings, ("the evidence"); conclusions ("interpretation of the evidence") and recommendations. The questions are divided in three categories: 1) EOPS and other Project Paper issues, 2) project implementation issues, and 3) Other Mission issues. The key questions to be addressed are numbered. Additional illustrative questions are meant to assist in answering the principal questions. Should the team feel additional questions are required, they may pursue these. In any case, the level of effort for the performance of the evaluation is fixed. The Evaluation team should review Annex H of the Project Paper for additional information on evaluation questions.

End of Project Status (EOPS) indicators and other Project Paper Issues

1. Are the assumptions of the Project Paper Logframe still valid?

• Consider if the policy context is conducive or antagonistic to project implementation. Review the EOPS indicators to assure they continue to be realistic given the actual policy context and economic situation. Project EOPS are in Annex A of the Project Paper.

2. Is the Project progressing satisfactorily, to achieve the project purpose and to achieve EOPS by the PACD?

• FINACOOP's information system measures key indicators (EOPS) of the financial and operating condition of the cooperatives, as defined in the project agreement. Consider if any changes are needed so that EOPS indicators best measure the achievement of the project's purpose of providing access to services to small farmers. Consider whether the project's approach should be adjusted to most effectively achieve the project purpose.

• Please comment on whether the system provides adequate gender disaggregated data called for in the Project Agreement.

Project Implementation Issues

3. Is FINACOOP structured and organized to strengthen cooperatives as defined in the Project Paper?

• Focus any recommendations on improvements to be made in the authorities, organizational structure, management system, policies, or procedures of FINACOOP that would lead to better project implementation.

4. Are the Administrative Restructuring mechanisms to transform Ag coops effective?

- Consider FINACOOP's analyses of the financial, agribusiness operations, and administrative weaknesses of cooperatives.

- Review a sample of the "administrative restructuring" agreements.

5. Is FINACOOP's present management effectively using the Financial Restructuring mechanisms? What improvements could be made?

- Comment on how to make the restructuring agreements better address identified weaknesses.
- Consider if the six financial restructuring mechanisms have been effective in strengthening coops.

6. Is the TA adequately supporting FINACOOP in the implementation of the project?

- Consider whether the TA work plan will meet the objectives of the project.

- Analyze the process used for the identification and selection of investment opportunities.

- Review the use of the "opportunity screening methodology" for selecting investment opportunities. Identify any evidence that the process leads to more receptiveness to technology transfer.

7. How can the project (FINACOOP or the TA team) make better use of training in the strengthening of coops and implementing of the project?

- While the project is not a training project, training plays an important part in the project. Project design considered that the training of employees, leadership, and members of farmer owned businesses can play an important part in transforming them into solid businesses.
The measure of effective training should be whether it produces a good "return" in terms of improved business performance.

- Issues such as training needs assessment, performance based training concepts, informal curriculum design, development of materials, and rate of return on training expenditures could be considered in evaluating project training.

Other Mission Issues

8. How can USAID/Honduras improve SFAD project management and administration?

Consider:
- Has performance-based contracting of TA and other DA inputs been effective?

• Have the Mission's technical directives been helpful in implementing the TA team? Should adjustments be made to the TA contract scope of work to improve results?

• Which of the concerns expressed in the "Short-term Action Plan" developed by the Office of Agriculture and Natural Resources, are still valid? What actions need to be taken to address those concerns?

• Are there other issues the Mission should address?

9. How effective has AIFLD been in strengthening ANACH cooperatives?

• The AIFLD activity is scheduled to conclude as of August 31, 1995 and the Mission does not expect to continue the activity.

10. Does the project address the Strategic Objective it supports?

A copy of the strategic objective is attached hereto.

APPENDIX 2

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APPENDIX 3

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APPENDIX 4

ACRONYMS

ACDI	Agricultural Cooperative Development International
AIFLD	American Institute for Free Labor Development
ALGOSUR	Cooperativa Agropecuaria Algodonera del Sur
BANADESA	Banco Nacional de Desarrollo Agrícola
CACTRIL	Cooperativa Agrícola Cafetalera Triniteca
CADERH	Centro Asesor Para el Desarrollo de los Recursos Humanos de Honduras
CAPROCATAL	Cooperativa Agropecuaria de Productores de Café Taulabé
CARCEFMOL	Cooperativa Agropecuaria Regional Centro Francisco Morazán
CARCOMAL	Cooperativa Agropecuaria Regional de Comayagua
CARNOL	Cooperativa Agrícola Regional Nor Occidental
CARPIHL	Cooperativa Agropecuaria Regional de Plataneros Independientes de Honduras
CDA	Centro Desarrollo Agrícola (Zamorano)
CICAL	Cooperativa Industrial Conservadora de Alimentos
CIDA	Canadian International Development Agency (Olancho)
COAAL	Cooperativa Agropecuaria Azaculalpa
COAGRIUAL	Cooperativa Agroindustrial Guayape Ltda.
COARENE	Cooperativa Agropecuaria Regional Nuevo Edén
COATLAHL	Cooperativa Agroforestal Colón Atlántida
COAVAL	Cooperativa Agropecuaria Los Valles
COHORSIL	Cooperativa de Horticultores Siguatepeque
COHPAAL	Cooperativa Hondureña de Productores Agropecuarios y Agroindustriales
COMARCA	Cooperativa ;Marcalina de Caficultores
COOPAVIHL	Cooperativa de Producción de Pequeños Avicultores de Honduras
COPRAMAR	Cooperativa de Productores Agropecuarios y Marinos
CREHSUL	Cooperativa Regional de Horticultores dei Sur
EACTSO	Empresa Asociativa de Campesinos de Transformación y Servicios Otoreña
EPA	Empresa de Productores Agropecuarios
FACACH	Federación de Cooperativas de Ahorro y Crédito de Honduras
FDF	Fondo de Desarrollo Financiero
FECORAH	Federación de Cooperativas de la Reforma Agraria de Honduras
FHIA	Fundación Hondureña de Investigación Agrícola
FINACOOP	Financiera de Cooperativas Agropecuarias
FOB	Farmer-Owned Business
Fruta del Sol	Cooperativa Regional de Servicios Agropecuarios Fruta del Sol
GDP	Gross Domestic Product
GOH	Gobierno de Honduras
Maya Occidental	Cooperativa Regional de Servicios Agropecuarios Maya Occidental

PROCORAC	Proyecto Consolidado de la Reforma Agraria de Comayagua
PRODEPAH	Proyecto para el Desarrollo de Políticas Agrícolas de Honduras
SFAD	Small Farmer Agribusiness Development
SFOS	Small Farmer Organization Strengthening
TA	Technical Assistance
UNDP	United Nations Development Fund
UNIOCOOP	Unión de Cooperativas de Servicios Agropecuarios
UNITEC	Universidad Tecnológica Centro Americana
USAID	U.S. Agency for International Development
Villa Santa	Cooperativa Villa Santa Los Trozos
WID	Women in Development
ZAMORANO	Escuela Agrícola Panamericana

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