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**EVALUATION OF THE
EL SALVADOR NON TRADITIONAL
AGRICULTURAL EXPORT STRATEGY**

Prepared for:

**United States Agency for International Development
El Salvador**

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AGRIDEC

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ACRONYMS

| ACRONYM | MEANING |
|------------|--|
| AID | Agency for International Development (U.S.) |
| CLUSA | Cooperative League of the U.S.A. |
| CRECER | Equitable Rural Economic Growth Project (No. 519-0397) |
| DIVAGRO | The Agricultural Diversification Department of the Salvadoran Foundation for Economic and Social Development (FUSADES) |
| EC | European Community |
| EEC | European Economic Community |
| ERP | People's Revolutionary Army |
| FAES | Armed Forces of El Salvador |
| FAO | Food and Agriculture Organization of the United Nations |
| FIDEX | The Export Finance Department within FUSADES |
| FMLN | Faribundo Marti National Liberation Movement |
| FUSADES | Salvadoran Foundation for Economic and Social Development |
| FUSADAR | The Salvadoran Foundation for Rural Development |
| GDP | Gross Domestic Product |
| GOES | Government of El Salvador |
| GTZ | The German Development Agency |
| IDB | Inter-American Development Bank |
| IFAD | International Fund for Agricultural Development |
| LOP | Life of project |
| MZ | manzana = 0.7 ha |
| NCBA | National Cooperative Business Association |
| NGO | A private, non-profit, non-government organization |
| NTAEs | Non-traditional Agriculture Export Products |
| NRS | The National Reconstruction Project Support for Transition to Peace in El Salvador (No.519-0394) |
| PRIDEX | The Export Market Information Department within FUSADES |
| PROESA | Association of Salvadoran Producers and Entrepreneurs |
| PROXSAL | Salvadoran Producers and Exporters Organization |
| QAP | Quality Assurance Program |
| TA | Technical assistance |
| UCRAPROBEX | Union of Coffee Producers, Processors and Exporters |
| USAID | United States Agency for International Development |

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EXECUTIVE SUMMARY

An evaluation of USAID's program for the promotion of non-traditional agricultural exports (NTAEs) in El Salvador was carried out by a three-person team over a six-week period between July - August, 1995. USAID chose three different "models", or approaches, to promote the NTAE industry. Four NTAE projects were implemented by three different organizations using widely different strategies and development philosophies. The work of the team was to evaluate the four projects and to make a comparative analysis on the different approaches utilized. This required a cross-cutting analysis of impact, an evaluation of USAID's overall strategy of promoting NTAEs as a means of rural economic development, and recommendations for the most effective means of carrying out NTAE development in the future.

The four projects evaluated were a) the Agribusiness Development Project (519-0327) implemented by DIVAGRO, the agricultural diversification unit of the Salvadoran Foundation for Economic and Social Development (FUSADES) ; b) the Rural Enterprise Development II Project (519-0382) implemented by TechnoServe; c) the Non-traditional Agricultural Export Production and Marketing Project (519-0392) implemented by the Cooperative League of the United States (CLUSA), and d) the activity carried out as a sub-component of the National Reconstruction Project Support for Transition to Peace in El Salvador (519-0394), implemented by CLUSA with the assistance of the Asociación de Productores y Empresarios Salvadoreños (PROESA) .

Major conclusions, recommendations and lessons learned from the evaluations were the following:

CONCLUSIONS

a) The highly focused CLUSA approach of providing intensive support to NTAE production and export had the greatest impact on the value and volume of product exported, employment generated and benefit to the rural community.

b) DIVAGRO's approach was to provide a combination of credit, production technology transfer, and market assistance to private investors. There was limited follow-up activity after the investment was made and minimal "hand holding". The DIVAGRO Project was designed to encourage investment promotion in the agricultural sector, and it was carried out in a difficult investment climate. The difficult environment, coupled with mediocre performance in Project implementation resulted in considerably less impact than was expected.

c) Tec'noServe's approach was focused on cooperative institutional development and helping them become better-managed businesses. Primary emphasis was on management development - not NTAEs. Therefore, TechnoServe's impact on non-traditional agricultural production and

exports was rather limited. Furthermore, it was not possible for the evaluation team to measure the impact of the organization's work, given the method it used for tracking progress.

d) The private investment projects assisted by DIVAGRO are more sustainable than the NTAE export programs promoted with cooperatives and producer associations by CLUSA and TechnoServe. A total of thirty-six DIVAGRO-assisted investment projects have survived, and are considered sustainable. This equates to a survival rate of 72% of the fifty projects initiated.

e) Several CLUSA-assisted export programs are sustainable because supporting institutions are in place and marketing linkages have been created. The sustainable programs include the following: 1) fresh watermelons and honeydew melons for U.S. and European markets; 2) Organic exports for U.S. and European markets; 3) sesame exports to the U.S.; and 4) vegetable production for local processing and later export. In terms of sustainability of cooperative NTAE producers, only an estimated six cooperatives could continue exporting fresh NTAE products without outside support.

f) NTAE growth is not sustainable because it requires that mechanisms be in place to help new producers and exporters, and for the innovative development of new products and new markets.

g) The sustainability of the institutional development of cooperatives assisted by CLUSA and TechnoServe has been severely affected by the frequent rotation of the Board of Directors, and the resulting appointment of a new slate of cooperative managers each time the Board is changed. CLUSA believes that under the present system it will be impossible for a cooperative to "graduate" from CLUSA services, so the institutional development program has become self-perpetuating.¹

h) An important benefit from CLUSA's efforts is that it has opened NTAE exports to healthy competition which has brought both stability and ethical business arrangements to the export process. CLUSA has effectively eliminated the earlier situation where local exporters manipulated growers and foreign importers alike.

i) The three implementing organizations collaborated very little with each other, primarily due to differences in ideology, personality, and "turf". This was unfortunate because opportunities were lost to leverage individual efforts for a greater overall impact.

¹CLUSA's response to this statement was as follows: "CLUSA believes that under the present system, even after significant training and technical assistance, a cooperative would continue to benefit from additional training opportunities and on-going education in the production of NTAE's. Once 20 or 30 members of a Cooperative have participated in training in cooperative business principles or non traditional crop production, a continuing education program in other areas of business and agricultural practices would still be profitable for the Coop. To CLUSA training events do not equal education. Major emphasis is placed by CLUSA on providing training events that teach the project cooperatives how to assess their own needs for sources of information (production and marketing), problem solving techniques, and cooperative democratic principals for decision making. Education is seen as an ongoing process throughout the life of a cooperative business and the individuals who make it up."

RECOMMENDATIONS

a) USAID should continue to support NTAE development in El Salvador. It continues to be a valid developmental strategy and merits ongoing support.

The evaluation team strongly disagrees with the blanket, sweeping indictment expressed in the final evaluation of the FIDEX portfolio which maintained that El Salvador is unsuited to be a producer and exporter of non-traditional agricultural products.

b) In the future, USAID should leverage its efforts to increase its impact on the production and export of non-traditional products. The recommended approach is to use producers/exporters as a nucleus from which to promote outgrower arrangements with small/medium farmers and cooperatives. Project resources would be used for technical assistance to the growers and to minimize the startup difficulty and risk of new business arrangements between the two groups.

c) In order not to lose the momentum which will be gained under the NRS Project, USAID should look for means to continue this effort beyond the pilot stage. There is little possibility that the assisted cooperatives will have "graduated" by the time the Project ends.

d) Given that USAID assistance under the NTAE Production and Marketing Project beyond the current project completion date of June 30, 1996 is still being discussed, the team recommends that CLUSA prepare a plan for its orderly close. The focus of the phase-out should be on solidifying accomplishments made to date, and to ensure the continuity of CLUSA services to the greatest extent possible. As a minimum, CLUSA should ensure the viability of the export systems for the three categories of products for which so much development effort has been spent: 1) processed organic products (coffee, cashews); 2) fresh products, organic as well as traditional, and 3) non-traditional products grown for local processing, and later export.

e) CLUSA should prepare its cooperatives for its eventual departure. This will require 1) stable management within the cooperatives, and 2) the development of linkages with organizations that can provide complementary post-harvest functions such as export services, transport, marketing and quality control.

LESSONS LEARNED

a) There is no substitute, serendipitously or not, for having the right project in the right place at the right time with the right implementor. If the Agribusiness Development Project were launched in today's improved environment, even with the same implementor, the impact would likely be much greater.

b) Project goals, objectives, performance indicators and performance measurement should be consistent. For example, the performance measures established for the Rural Enterprise

Development II Project were inadequate to measure progress toward the goals of incremental employment, income, and production.

c) When operating in an adverse environment that cannot be changed, it becomes necessary to change the strategy for project implementation. For example, DIVAGRO would have achieved greater impact from the Agribusiness Development Project had they used a different strategy for investment promotion.

d) Cooperative development in El Salvador requires education, not mere training. The creation of viable cooperative businesses require cultural changes which is part of an educational process.

RESPONSE TO REVIEWER'S COMMENTS:

The draft evaluation report was circulated for review and comment to USAID Officials as well as to the management and staff at TechnoServe, CLUSA, and DIVAGRO who have been involved in implementing the four NTAE projects the team evaluated. In most cases the final report was modified as appropriate to reflect the information provided by the reviewers. In some cases their comments are shown as footnotes to the relevant section of the text. The response of the USAID Project Officer to the major conclusions of the DIVAGRO evaluation summary are shown in the Attachment to this summary report.

PART ONE

INTRODUCTION

During the 1980s USAID/El Salvador initiated a strategy of promoting the non-traditional agricultural export (NTAE) industry as a means to create employment, increase exports and foreign exchange earnings, and stimulate general economic growth in the rural sector. In addition, NTAE development was seen as a means for the Agrarian Reform cooperatives to become self-sustaining commercial enterprises.

There were a number of reasons why USAID chose non-traditional agricultural exports as a means of rural development. In general, a) NTAEs offer the opportunity of using irrigation as a means to intensify land use, b) NTAEs such as fresh fruit, vegetables, flowers, and ornamental foliage offer high returns per land unit, c) they can be grown profitably and effectively on small plots, and therefore were suited for land distribution patterns in El Salvador, d) they have high labor requirements, e) they provide a good source of foreign exchange earnings, f) they provide a wider distribution of benefits in the economy than large scale plantation agriculture, and g) when properly managed they can be more environmentally sound than plantation agriculture.

Developmental projects which promote the NTAE industry must also provide a strong support structure for production and marketing assistance to producers and exporters. NTAEs generally require a sophisticated level of management and highly disciplined agriculture practices to meet market requirements for product quality and timing; they require precise timing between production, shipping, and marketing; they place high demands on every level of infrastructure, including transport systems; they demand a greater amount of credit; and they tend to be unforgiving of errors at any point in the process of production and marketing.

USAID chose three different "models", or approaches, to promote the NTAE industry. Four NTAE Projects were implemented by three organizations with widely differing strategies and development philosophies. While their overall strategies were different, there was one similarity in the three approaches: each project was to function as a catalyst - to encourage, instruct, assist, and generally do whatever was necessary to ensure that success resulted, but to leave the assisted businesses and cooperative organizations the actual work of producing and exporting NTAEs.

One of the implementing organizations was DIVAGRO, the agricultural diversification arm of the Salvadoran Foundation for Economic and Social Development (FUSADES). DIVAGRO's approach is based on providing credit, marketing support and technical assistance to private enterprises as a means of stimulating investment in NTAE agribusinesses. For all practical purposes the DIVAGRO model is a domestic investment promotion targeted on the agricultural sector.

The Cooperative League of the United States (CLUSA) is presently implementing two NTAE projects. Target groups include rural cooperatives and small independent producer associations. CLUSA's model was to focus on Agrarian Reform cooperatives and associations to a) make them more productive and b) generate income, thus affecting the lives of the families of their members. CLUSA's approach is to focus on NTAE production and export as a single segment of the cooperative's business and to provide the support required to make that component a success. CLUSA's intent is to first create a successful, profitable venture based on non-traditional exports, whose production control and management practices then spill over into other activities of the cooperative.

The final NTAE project was implemented by TechnoServe, a U.S. non-profit organization. TechnoServe supported Agrarian Reform cooperatives with a range of technical assistance and training in traditional and non-traditional crop production, livestock production, organizational strengthening and business management. This organization's philosophy was to provide an integrated program of training and technical assistance in cooperative institutional development, management, and administration in order to create better-managed cooperative businesses. It was expected that through management training the cooperative decision-makers would be capable of rational production decisions. TechnoServe also provided technical support to improve the production efficiency of the selected crops.

THE ENABLING ENVIRONMENT FOR NTAEs

The decade of the 1980s was a difficult time for agriculture in El Salvador. The country was in the midst of a civil war which made agricultural production difficult and in some areas, impossible. Simultaneously, the agricultural sector was adjusting to the Agrarian Reform program in which all agricultural holdings greater than 500 hectares were confiscated and handed over to newly-formed production cooperatives for their management. The cooperatives were composed of the workers on the former estates, who brought considerable production expertise to the enterprise but who lacked managerial and business administration skills. During the first years of the cooperatives' existence, the Agrarian Reform Institute (ISTA) acted as a co-administrator and the cooperatives had easy access to credit lines from the nationalized banking sector. In general, the estates' assets were turned over to the workers with no investment on their part; consequently, the workers rarely perceived themselves as the true owners.

Government policy called for heavy state intervention in all economic sectors, including agriculture. The net result was that agricultural growth lagged far behind the rest of the economy. In 1980, the agricultural sector was the strongest contributor to the economy and accounted for 23% of gross domestic product (GDP). By 1994 the percentage of GDP attributed to agriculture had declined to around 14% and in terms of economic importance, the sector lagged behind both industry and commerce. However, in terms of social importance, agriculture continues to play a predominant role: approximately 33% of the economically active population is involved in agriculture. In rural areas, agricultural participation reaches 64%.

The greatest obstacles to growth during the 1980s were a) problems associated with the armed conflict, including a deterioration of rural infrastructure, fear and suspicion and a lack of confidence caused by the Agrarian Reform; b) under utilization of land, especially on Agrarian Reform cooperatives; c) little agricultural research and extension; d) weather-related factors affecting production; e) low international prices for agricultural commodities; f) lack of a coherent agricultural policy, and g) controlled prices.

In 1989 El Salvador began a series of economic reforms which have provided a favorable climate for economic growth. The Government has implemented free market strategies to strengthen and drive the economy. The state's role is now more as a regulator and facilitator and less of a decision-maker in economic activity. As a result of favorable policies and the ending of the armed conflict, the agricultural sector has responded strongly. Between 1989 and 1993, agriculture grew by slightly more than 50% in constant prices. Growth of non-traditional agricultural products kept pace with the growth of the entire sector. The following table shows the total value of agricultural production in constant prices, compared to the value of non-traditional crops produced over the five-year period. Note that the table refers to production, not exports and that in 1990, price controls for basic grains ended and price bands were instituted.

TOTAL VALUE OF AGRICULTURAL PRODUCTION

(MILLIONS OF COLONES)

| | <u>1989</u> | <u>1990</u> | <u>1991</u> | <u>1992</u> | 1993 |
|-----------------------|-------------|-------------|-------------|-------------|-------|
| Total agriculture | 5,149 | 6,264 | 6,923 | 7,081 | 7,787 |
| Non-traditional crops | 275 | 342 | 391 | 448 | 475 |
| Percentage | 5.3% | 5.5% | 5.7% | 6.3% | 6.1% |

Non-traditional crops include fruit, vegetables, sesame, balsam, and copra.

Source: Ministry of Agriculture, Policy Analysis Unit

THE TASK OF THIS EVALUATION TEAM

The evaluation team was tasked with evaluating four NTAE development projects in El Salvador. They were the Agribusiness Development Project (519-0327) (DIVAGRO); the Rural Enterprise Development II Project (519-0382) (TechnoServe); the Non-traditional Agricultural Export Production and Marketing Project (519-0392) (CLUSA), and the activity carried out by the Asociación de Productores y Empresarios Salvadoreños (PROESA) as a sub-component of the National Reconstruction Project Support for Transition to Peace in El Salvador (519-0394) (CLUSA). Final project evaluations were carried out for the first two Projects and mid-term

evaluations were completed for the latter two. Primary areas of focus were on the sustainability of project benefits and on the impact achieved by each project.

In light of the different strategies followed by the three organizations, USAID/El Salvador asked that a comparative analysis be made on the different approaches utilized. This required a cross-cutting analysis of impact, an evaluation of USAID's overall strategy of promoting NTAEs as a means of rural economic development and recommendations for NTAE development in the future.

METHODOLOGY

The evaluation was carried out by a three-person team over a six-week period during July-August, 1995. The team was headed by an Evaluation Specialist with extensive experience in USAID project evaluations, who has a strong background in agribusiness management. The second member worked as the team's Agricultural Extension Specialist. This individual has previous work experience as a USAID direct-hire employee, as the manager of an agro-export project and is now an entrepreneur engaged in gourmet coffee exports from Guatemala. The third member is a rural sociologist who worked as the team's Cooperative Development Specialist. This person combines a teaching career in sociology with international development work as social scientist and researcher in rural development sociology.

The team was based in the city of San Salvador and traveled extensively throughout the country while carrying out the field work required for the project. Field work included visits to farms and packing sheds, interviews with large producers, farmers, cooperative leaders, agribusiness operators, officials of international lending agencies, officials of the Ministry of Agriculture, USAID and the three implementing organizations: FUSADES/DIVAGRO, CLUSA, and TechnoServe.

A list of persons interviewed over the course of the evaluation is shown in Annex VI. A copy of the Scope of Work for the project is attached in Annex VII.

STRUCTURE OF THE REPORT

The report is composed of an Executive Summary and four major sections: Part One, Introduction; Part Two, major Findings and Conclusions; Part Three, Recommendations, and Part Four, Lessons Learned. In addition, complete reports of the four projects evaluated are attached: Annex I - DIVAGRO (final evaluation of Project 519-0237); Annex II - TechnoServe (final evaluation of Project 519-0382), and Annex III - CLUSA (mid-term evaluation of Project 519-0392); Annex IV - CLUSA (mid-term evaluation of Project 519-0394).

PART TWO

MAJOR FINDINGS AND CONCLUSIONS

PROJECT DESIGN AND IMPLEMENTATION

The following discusses the suitability of each Project for NTAE development, in light of their basic design and strategy for implementation.

The Agribusiness Development Project implemented by DIVAGRO was designed to support all aspects of NTAE production and marketing. The primary thrust of the Project was to encourage the creation or expansion of private agribusinesses. This was a "cadillac" Project in that it provided a full complement of support services, including credit for agribusinesses, marketing assistance, and production technology transfer based on applied crop research, demonstration farms, and comprehensive T/A support to growers.

Targeted beneficiaries were private Salvadoran investors who may or may not have had previous experience in agriculture. Typical investors were businessmen and entrepreneurs. The Project design was highly suitable and supportive of private investment in the production and export marketing of non-traditional crops.

Project implementation was carried out under difficult conditions. El Salvador was in the midst of a civil war during the first four and one-half years of the Project; private investors were reluctant to invest in the agricultural sector due to the cloud of uncertainty resulting from on-the-books-but-not-invoked Phase III Agrarian Reform laws, and the Government of El Salvador (GOES) had no coherent policy to support NTAEs. Over the life of the Project, the Ministry of Agriculture's agricultural portfolio was concentrated on basic grains and traditional crops, thus leaving to FUSADES the responsibility of promoting NTAEs.

The team's conclusion is that the agribusiness climate in El Salvador undoubtedly contributed to the limited number of investment projects carried out with DIVAGRO's assistance. Long-term agricultural investments were competing for scarce funds with the quick returns provided by the commercial and services sectors, and with the security and stability offered by investments in foreign banks.

However, a deeper analysis of DIVAGRO's work in project implementation has led the team to conclude that the organization could have done more to promote NTAEs, even in the face of a difficult investment climate. Promotion of investment projects was somewhat incestuous and appeared to be geared in large part toward FUSADES itself. Based on interviews with DIVAGRO's clients, which were supported by observations of the mid-term evaluation, the organization failed to develop an effective, comprehensive, integrated program of NTAE promotion. While a great deal of activity was carried out, maximum impact was not achieved

because the actions taken were not mutually supportive. For example, loans were made, but little follow-on technical assistance was provided to ensure that the money was effectively utilized. Loan administration was bureaucratic and inflexible. New products developed on "high-tech" demonstration farms which were not aggressively marketed as potential, new NTAEs. Prospective investors made study tours to the United States, and even attended intermediate-term university programs in the technical aspects of NTAE production without their training being supported in El Salvador.

The conclusion of the team is that the Agribusiness Development Project design was good. However, FUSADES' performance in implementing the project was, at best, mediocre.²

The Rural Enterprise Development II Project was designed as a straightforward continuation of TechnoServe's assistance to rural cooperatives that had been carried out continuously since 1981, in collaboration with USAID. TechnoServe's basic function was to create viable business organizations from groups that were originally formed for political and social purposes and which are generally composed of illiterate "campesinos". TechnoServe's standard program for cooperative development was to perform a comprehensive diagnosis of the cooperative, to jointly develop a plan for improvement and to help the cooperative implement the plan. Near the end of the Project, USAID awarded TechnoServe a no-cost extension for an additional year, but added the requirement that the organization engage in NTAE promotional activity.

Given its late start, and the fact that TechnoServe's original program was not oriented toward NTAE production and that no goals were set for NTAE exports, it is not surprising that the Project's impact on non-traditional agriculture was limited. However, TechnoServe gets good marks for its work in implementing its basic program. TechnoServe's approach is sound and based on interviews with numerous beneficiaries solid results were achieved. However, some momentum was lost during the last two years of the Project as a result of senior management changes. Additionally, TechnoServe's and USAID's method of "keeping score" is deficient in that it does not measure progress toward the primary goals of increased employment, production, and income. In an attempt to provide a more meaningful measure of impact, TechnoServe published cost-benefit figures showing the benefits gained by rural cooperatives for each dollar spent on technical assistance. However, these calculations were not used by the evaluation team because they were simply not credible. Nor was it possible to make an independent calculation of cost effectiveness since TechnoServe's method of measuring impact considers only gross parameters related to the assisted cooperatives and do not indicate the incremental effect of TechnoServe's work. Therefore, it was not possible to determine the cost effectiveness of the Project.

²The USAID Project Officer who was responsible for the Agribusiness Development Project does not agree with this conclusion. His observations are shown in the Attachment to this summary report. The team received no comment from DIVAGRO. Please refer to the DIVAGRO evaluation report in Annex I for additional information in support of this conclusion.

The NTAE Production and Marketing Project was designed to serve existing stakeholders in the rural economy. Unlike the DIVAGRO Project, which was designed to promote agribusiness investment by people who may or may not have had ties to agriculture or to the rural sector, the NTAE Project focuses on well-established cooperatives and producer groups which have a commitment to agriculture. Unlike the TechnoServe Project, whose primary objective was to create viable business organizations by institutional support and training of cooperative leaders, this Project focuses on NTAE production and exports first, and cooperative business development second. Project activities are oriented toward the chain of events required to successfully produce and export NTAEs, beginning with seed selection and continuing through agricultural practices, harvesting, post-harvest handling, shipping, export and the selection of foreign brokers. CLUSA's highly focused approach to NTAE development has shown impressive results and the Project is well managed. CLUSA's implementation strategy is highly suitable for the achievement of economic benefits resulting from NTAE production and export. However, CLUSA has not paid sufficient attention to the requirement stated in the project paper to work toward overall institutional strengthening of the participating cooperatives. To comply with this requirement without losing momentum in NTAE development, CLUSA should consider sub-contracting an outside organization to do this work.

The National Reconstruction Support Project began as an unsolicited proposal to USAID, prepared jointly by CLUSA and the Association of Salvadoran Producers and Entrepreneurs (PROESA). The Project is an add-on to the NTAE Production and Marketing Project. It is being implemented by CLUSA, with PROESA as the counterpart organization. The two Projects have similar goals and objectives, but their constituencies differ considerably. PROESA represents the demobilized forces of the People's Revolutionary Army (ERA), one of the five splinter groups of the Faribundo Marti Liberation Movement (FMLN). The National Reconstruction Support (NRS) Project is a pilot effort designed to support NTAE production by cooperatives and producer associations whose members are primarily demobilized fighters and sympathizers from both sides of the civil war. Many of the participants have no background in agriculture and have experience in only one profession - warfare. Much of the land being put into production has been unutilized or under-utilized for years, since it was located in the war zones. The crops being promoted by CLUSA and PROESA are non-traditional crops for export.

Against this setting, it appears that CLUSA's attempt to fit the NTAE "mold" onto groups whose development needs are at a basic level should be reconsidered. The purpose of the Project should be to reintegrate these groups and their affiliates into the economic fabric of the nation, and to ensure that they stay there; not to produce and export more NTAEs. The Project means and ends are awry. USAID should relax the requirement that the Project work exclusively to produce and export NTAEs. CLUSA should help these groups learn to produce and market non-traditional crops, either for local or export markets.

IMPACT ON NTAE PRODUCTION

The participation of non-traditional agriculture in the overall agricultural sector increased slightly between 1989 and 1993, from 5.3% to 6.1%. The area planted in non-traditional crops increased slightly over the same period. The following table shows the principal crops grown and their corresponding area planted. The top three NTAE crops are sesame, oranges, and coconuts which account for over 70% of the total area planted.

NON-TRADITIONAL CROP PRODUCTION

(AREA PLANTED IN HECTARES)

| <u>NTAE PRODUCTS</u> | <u>1989</u> | <u>1990</u> | <u>1991</u> | <u>1992</u> | <u>1993</u> |
|----------------------|-------------|-------------|-------------|-------------|-------------|
| Oranges | 5460 | 5530 | 5600 | 6860 | 6720 |
| Pineapple | 1190 | 1190 | 1190 | 770 | 910 |
| Watermelon | 4550 | 4970 | 4900 | 2800 | 2940 |
| Coconuts | 5600 | 5600 | 5670 | 5670 | 5600 |
| Tomatoes | 1750 | 1820 | 1890 | 1120 | 1050 |
| Cucumbers | | | | | 264 |
| Peppers | | | | | 474 |
| Yucca | 1715 | 1820 | 2100 | 2590 | 2100 |
| Sesame | 13370 | 15050 | 25970 | 18200 | 16940 |
| Flowers and foliage | | | | | 170 |
| Cashew | 2800 | 2800 | 2800 | 3500 | 3990 |
| Total | 36435 | 38780 | 50120 | 41510 | 41158 |

Source: Ministry of Agriculture, Policy Analysis Unit

The following table tracks the value and volume of non-traditional agricultural exports between 1983 and 1993. The Agribusiness Development Project began in 1985, and liberalization of the economy started in 1989.

VALUE AND VOLUME OF NTAE EXPORTS

(MILLIONS OF DOLLARS AND THOUSANDS OF METRIC TONS)

| <u>YEAR</u> | <u>VALUE</u> | <u>VOLUME</u> | <u>YEAR</u> | <u>VALUE</u> | <u>VOLUME</u> |
|-------------|--------------|---------------|-------------|--------------|---------------|
| 1983 | 24.3 | 12.8 | 1989 | 26.7 | 25.4 |
| 1984 | 28.0 | 18.8 | 1990 | 38.2 | 32.6 |
| 1985 | 28.4 | 24.4 | 1991 | 41.3 | 43.7 |
| 1986 | 23.6 | 26.4 | 1992 | 38.5 | 41.7 |
| 1987 | 30.9 | 29.8 | 1993 | 26.8 | 31.9 |
| 1988 | 28.6 | 24.6 | | | |

Source: Central Reserve Bank of El Salvador

The decline in output of NTAE exports registered in 1993 resulted from the closure of a large food processing plant engaged in the export of frozen food to the United States.

IMPACT ACHIEVED UNDER EACH PROJECT

The following discusses the impact achieved under each Project in terms of measurable and qualitative results.

The Agribusiness Development Project:

Over the six-and-one-half year Project life the measurable results were the following:

AGRIBUSINESS DEVELOPMENT PROJECT

| <u>NTAE INDICATORS</u> | <u>ACTUAL RESULTS</u> | <u>OBJECTIVE</u> |
|---|-----------------------|------------------|
| Hectares in production | 29,106 | 23,000 |
| Number of export crops | 20 | 15 |
| Cumulative value of exports LOP | \$53 million | n/a |
| Annual value of exports (\$000) | 8,300 (1) | 49,000 |
| Annual value of aquaculture exports (\$000) | 1,575 (2) | 3,000 |
| Annual value of import substitution (\$000) | not measured | 12,000 |
| Employment (jobs created) | 27,346 | 12,600 |
| Loan funds disbursed (\$000) | 5,548 | 10,000 (3) |
| Loans to aquaculture (\$000) | 1,812 | 3,000 (4) |
| <u>OTHER IMPACT INDICATORS</u> | | |
| Number of viable businesses | 36 | n/a |
| Number of investment loans | 50 | n/a |

Source: DIVAGRO quarterly reports

Notes:

- (1) Average 1992 - 1994
- (2) Annual amount 1993/94 year
- (3) Later reduced to \$5,600,000
- (4) Later reduced to \$2,200,000

In addition to the impact shown by the above indicators, the Agribusiness Development Project also had the following indirect impact:

- a) PRIDEX, the export marketing information service at FUSADES, provides market information and access to overseas databases containing market, product and customer information. These were created under the Project and continue to be available for potential investors and exporters.
- b) The Project helped created an image of NTAEs as a viable business and made it possible for investors to actively consider them as a feasible investment opportunity.
- c) DIVAGRO has amassed a great amount of production information on NTAE crops which is available to interested investors.

d) The Project funded FUSADES' construction and operation of a modern analytical laboratory for product quality control which also has the capability to produce significant quantities of planting stock through tissue culture techniques.

e) DIVAGRO has developed a new non-traditional export product (pineapple) on a significant scale. In addition, new, viable subsectors were created for the production and export of ornamental plants, shrimp larvae and frozen foods.

f) DIVAGRO developed the production technology for numerous fresh produce commodities at four research stations, some of which was sold into local markets. One of the outputs of this effort was the editing of over 30 technical documents for new crops, now available for producers.

The Rural Enterprise Development II Project:

Quantitative indicators of impact are the following:

RURAL ENTERPRISE DEVELOPMENT II PROJECT

| <u>INDICATOR</u> | <u>ACTUAL RESULTS</u> | <u>OBJECTIVE</u> |
|--|-----------------------|------------------|
| Number of cooperatives assisted | 66 | 50 |
| Number of cooperatives graduated | 44 | 38 |
| Employment (person years) | 47,956 | 42,000 |
| Family income (colones) | 254,254,000 | 162,567,000 |
| Area cultivated (cumulative hectares) | 82,423 | 88,190 |
| Number of NTAE products | 17 | n/a |
| NTAE area cultivated (cumulative hectares) | 2,381 | n/a |

Source: TechnoServe quarterly reports

The indicators published by TechnoServe serve no useful purpose for determining Project impact because the numbers shown are cumulative totals for all cooperatives assisted by TechnoServe, and do not show the incremental effect of TechnoServe's intervention. For example, if a new cooperative signed on with TechnoServe with 1,000 hectares in cultivation and annual employment of 500 person-years the indicators of area, family income and employment would jump by 1,000 hectares and 500 person-years, respectively, at the moment the cooperative entered the program. To make matters worse, the "area cultivated" is the sum of the area cultivated by cooperatives directly assisted by TechnoServe, plus the area within TechnoServe's "sphere of influence" - that is, cultivated by cooperative members of second-degree associations assisted by TechnoServe.

The evaluation team went to considerable lengths to extract meaningful information on Project impact from the mass of data accumulated by TechnoServe. However, the results were inconclusive. The only method which might have provided results within the time available for completing the analysis was to compare average production, employment, and income of the group of cooperatives assisted by TechnoServe with total, country-wide averages for all cooperatives. Unfortunately, there were too many variables in the available information and no meaningful conclusions could be drawn.

The NTAE Production and Marketing Project:

Quantitative indicators of impact for this Project are the following, as of March 31, 1995:

THE NTAE PRODUCTION AND MARKETING PROJECT

| <u>NTAE INDICATOR</u> | <u>ACTUAL RESULTS</u> | <u>OBJECTIVE (LOP)</u> |
|---|-----------------------|----------------------------|
| Additional hectares planted in NTAEs | 10,612 | 6,000 |
| Increase in irrigated hectares | 417 | 800 |
| Increase in NTAE products exported | 15 | 8 |
| Cooperatives/producers assisted | 58 | 36 |
| Total direct/indirect beneficiaries | 183,496 | 126,471 |
| Employment generated (000 person-days) | 677 | 533 |
| Increase in product output (000 pounds) | 64,295 | 26,146 |

Source: CLUSA semi-annual report ending March 31, 1995

Qualitative indicators of the impact of CLUSA's impact are the following:

- a) CLUSA acts as an "honest broker" in coordinating export programs between producers, exporters and U.S. importers. Most importantly, CLUSA has shown that business integrity in NTAE production and export is good business.
- b) Due to CLUSA's presence in the export process, U.S. brokers have been more willing to do business with local producers and exporters. Furthermore, banks are more willing to make NTAE loans to producers assisted by CLUSA.
- c) CLUSA has successfully introduced the concept of organic products for local and international markets.
- d) CLUSA has contributed to the institutional and managerial development of assisted cooperatives, within the relatively narrow context of NTAE production and marketing.

However, it needs to do more to help improve the management of the cooperatives' traditional agricultural activities, as indicated in the project paper.

e) CLUSA has brought innovation and problem-solving to the NTAE industry. New crop development includes organic products, watermelons for European markets and processed chile peppers.

The National Reconstruction Support Project:

Quantitative indicators for this Project are the following:

NATIONAL RECONSTRUCTION SUPPORT PROJECT

| <u>NTAE INDICATOR</u> | <u>ACTUAL RESULTS</u> | <u>OBJECTIVE (LOP)</u> |
|------------------------------|-----------------------|------------------------|
| Area (hectares) | 1,065 | 1,050 |
| Production (metric tons) | 228 | 12,500 |
| Producer groups/cooperatives | 10 | 10 |
| Total direct beneficiaries | 4,874 | 1,000 |
| NTAE crops produced | 7 | 5 |

Source: CLUSA quarterly report ending June 30, 1995

Qualitative indicators of impact include the following:

- a) CLUSA/PROESA have started a process of integrating demobilized groups into the Salvadoran economy.
- b) By providing institutional support in administration, accounting and training programs benefitting PROESA's technicians, CLUSA has started a process of strengthening the former organization.

GENDER IMPACT

The team observed a pattern of involvement and impact for women and men consistent with that reported by other studies. Women are noticeably among the beneficiaries of NTAE development. However the nature of the benefit differed somewhat by gender. Women were much less likely to be cooperative members than were men, and therefore less likely to share in profits though member distributions. They were also less likely than men to be present on the cooperative administrative councils, although more often women were elected to positions on the vigilance

councils. Both CLUSA and TechnoServe have made efforts to improve this situation with some success.

Women did benefit through employment opportunities, although the nature of employment also differed for women compared to men. **First**, the limited number of permanent jobs available in the production of NTAE crops are held almost exclusively by men. **Second**, men hold most skilled and managerial jobs. **Third**, men receive more of the benefits of training than do women. In many cases both men and women believe that the critical jobs and training opportunities in cooperatives should go to those with more education, with somewhat of a consensus (often erroneous) that these are most likely to be male. The team found a few notable exceptions to this pattern. These often occurred as a result of project training interventions which provided opportunities for advancement for benefitting females. An example is the female administrator at the San Jose de la Paz services cooperative. In the view of the evaluation team member who visited the cooperative, she was the most effective administrator visited during the evaluation.

WHY GREATER IMPACT WAS NOT ACHIEVED

A number of factors have limited the impact of the NTAE program. Two of these are as follows:

Revolving-door management of the cooperatives: Under existing laws which regulate cooperatives, their Board of Directors must be changed through elections every two years. Since board members serve without pay, board members routinely appoint themselves to different management positions and receive the salary which corresponds to the position. Not only does this result in a wholesale management change every two years, but also it relegates cooperative management functions to an elective office. This practice is disastrous for the management development programs of CLUSA and TechnoServe. To partly offset the effect of management rotation TechnoServe incorporates into its training programs all members who are perceived as leaders, presuming that they will hold an elective position sooner or later. CLUSA also works with cooperative leaders and has initiated training programs with youngsters whom they feel may ultimately grow into positions of leadership. Unfortunately, CLUSA has not effectively dealt with the problem of frequent rotation and has adopted the attitude that as long as this practice continues the cooperatives will never "graduate". This is an uncharacteristically traditional approach which implies that technical assistance must be self-perpetuating.³

Project implementation was not mutually supportive: Over the course of the various Projects, USAID repeatedly encouraged the three Project implementors work together to achieve a greater impact on the production and export of non-traditional agricultural products. For example, it was

³CLUSA's response to this statement was as follows: "CLUSA has not been able to effectively deal with the problem of the frequent rotation of Coop board members required by National Coop Law. This has led CLUSA to support policy improvements in these areas, and CRECER will put effort in these areas as well. For the present, CLUSA has attempted to assist Coop members, and directors, deal with this problem through training cooperatives in the role and responsibilities of Coop directors and members, the qualities and characteristics of a good board member."

planned that CLUSA would sub-contract with TechnoServe to carry out general management development on the cooperatives assisted by CLUSA. Also, it was planned that CLUSA would work closely with DIVAGRO to develop an NTAE quality assurance system. Finally, DIVAGRO has developed a sophisticated Quality Assurance Program (QAP) laboratory and numerous databases linked to U.S. market news which have been generally ignored by both CLUSA and TechnoServe.⁴

The lack of collaboration by the various Projects was unfortunate. Opportunities were missed by all sides to work together and thereby have greater impact on NTAEs. Greater collaboration was not achieved because of conflicts in personality, "turf" and methodology. For example, CLUSA and DIVAGRO could not work together because of widely differing ideologies in a politically charged environment. CLUSA and TechnoServe were generally at loggerheads because of differences in operating style.

LABOR ISSUES

Because non-traditional crop production is labor intensive, one of the requirements for a successful NTAE strategy is that a sufficient supply of labor must be available during peak demand periods, such as the November to February harvest period. To consider this issue, the team made site visits to nineteen cooperatives where we held interviews with cooperative leaders about the availability of labor in general, and the practices used to procure labor during the harvest season.

Based on the interviews, the team concluded that labor shortages frequently affect the ability of the cooperatives to harvest their crops on a timely basis. However, the cause of the problem is ineffective labor management - not an inherent shortage of willing workers in the rural sector.

There are a number of contributing factors which may in operate in isolation or in combination to cause temporary labor shortages in agricultural crop production. Of the nineteen cooperatives visited, eighteen made comments related to one (or more) of the following factors.

A. Lack of Discipline

There are enough able-bodied individuals among cooperative members and their families to provide the labor required for crop production, except possibly during the peak harvest season. However, the membership often does not turn out when they are needed. This was probably the most frequently heard explanation for labor problems, and certainly was by no means unique to

⁴CLUSA stated that although they have used the lab on occasion, that turnaround times for analysis of crop and soil samples has been so slow, that they were forced to use AGRILAB in order to obtain timely information. In addition, CLUSA advised that the NTAE Project is linked to the same market databases, and has been very effective in disseminating market price and demand information to a network of brokers, exporters, and producers because they have maintained an almost daily in-the-field contact during the various growing seasons with their clients.

NTAEs. This was variously attributed by the leadership to a collective lack of responsibility, a lack of correct behavior, or a preoccupation with not working too hard (one representative sarcastically called the cooperative a "beneficiaries club"). Often, new directors are elected on the promise that members would not be required to work as hard as before. All those interviewed share a distinct value orientation in which hard physical labor does not figure prominently. The team heard numerous comments from cooperative leaders that Project-related assistance is needed to help organize educational sessions to reinforce a sense of responsibility among the membership.

Frustration over the failure of fellow members to carry their fair share of the workload ran high in cooperatives which viewed favorably the possible distribution of collective lands to individual members, as well as in those communities where the members preferred to work on private allotments instead of collective activities. Some leaders suggested that this attitude was due to the membership not viewing themselves as owners, but instead, as workers. Paying annual dividends based on the number of days worked has helped to some extent. However, others observed that members often work only two hours per day and count their contribution as a full day toward the total year's requirement. This would suggest an eventual movement toward using the time clock to determine the amount of time worked.

B. Owners Versus Workers

Although this shares some features with the previous explanation, in a sense this has an opposite origin. Following the Agrarian Reform, some cooperative members realized that as new owners they could enter into much the same relationship with hired labor that had existed under previous ownership. The new owners came to perceive their primary job responsibility as obtaining the services of reliable workers at affordable prices, which was not always easy to do. We heard a number of complaints about workers refusing to harvest coffee for the rate of C/10 per arroba (25 lbs). Some cooperatives had learned from TechnoServe's personnel management seminars that increasing the worker's participation in decision making and improving working conditions led to improvements in productivity. A leader at one cooperative which produces NTAEs remarked that one year it was so difficult to find workers to harvest peppers that the members themselves had to do the harvest. However, it was not possible to muster enough help and most of the harvest was lost.

C. Piece work

One of the problems related to the form and amount of compensation for work done. We heard many reports that piece rates are the favored mechanism for compensating temporary agricultural workers. From the perspective of the temporary worker, the decision to harvest NTAEs is not a function of the potential profits to be shared, but rather a judgement based on physical characteristics of the crops, the piece rate paid, the time required to pick the crop, and its level of difficulty. Jalapeño and other hot peppers were mentioned as faring rather poorly in

comparison with traditional crops such as sugar. For example, the piece rate paid for the harvest of both crops is based on weight. However, a man could reasonably expect to earn C/50 per day cutting sugar cane, but it would take much longer to earn a similar amount by harvesting chiles due to its lighter weight. Therefore harvesting chile peppers were said to be appropriate for women and children, but those who could stand the demanding physical labor could earn much more in the sugar harvest. Many cooperative members reportedly took on temporary labor during the sugar harvest to bring in some extra money for the household.

C. Commitment to traditional crops

Several cooperatives observed that they had problems recruiting people to work their harvests if they competed with a traditional crop harvest, such as sugar. The perception was, whether accurate or not, that sugar needed to be harvested during a fairly narrow window of time, both because it would perish if left standing too long after burning, or because sugar mills would discount the price paid if the harvest is not brought in on schedule. Reinforcing this commitment to traditional crops is the perception of risk. Sugar is seen as being relatively risk-free, while the perceived risk with NTAEs is much greater. Therefore, if a temporary labor shortage occurs and it is impossible to harvest both crops, preference will be given to harvesting sugar cane since its market is assured. Since NTAEs are often sold on consignment, prices and markets are not assured.

D. Physical Discomfort

Physical discomfort during harvest was mentioned by several cooperatives as a reason why workers may not be willing to harvest some crops. Okra was the crop most frequently mentioned because of its irritating spines along the stems. Marigold was also mentioned by one cooperative as producing a disagreeable odor, making it difficult to attract temporary workers.

ENVIRONMENTAL IMPACT OF NTAE PROJECTS

The effect of the projects on the environment was positive. With the exception of ornamental plants and La Colina, production activities were located on cooperatives assisted by CLUSA and/or TechnoServe. A key element of each's production technology package was its recommendations and training on the proper use and handling of chemical inputs. These programs were expanded to include not only producers, but also the other NTAE participants, including exporters, technicians, bankers, government officials and members of the producer's household.

The strict chemical residue tolerances established by the NTAE consuming countries necessitate strict discipline in the use of these products, especially for pesticide use; and, the economic focus of recommended production technology assured that frivolous applications of costly chemical inputs were avoided. The emphasis on organic production techniques spearheaded by CLUSA

further mitigated the effect of these activities on the environment. Resource management and conservation components of the technology package and agro-forestry rounded out the environmentally-friendly farming systems advocated and installed on the participating cooperatives' land.

DONOR COORDINATION

The Government of El Salvador does not have a central coordinating office through which all international donor activity is channeled. Instead, international organizations work directly with the appropriate counterpart agency in the various Ministries. International donors are generally aware of the many different programs, and coordinate their activities among themselves as needed.

USAID has assumed the leading role in donor activity in El Salvador, particularly in the agricultural sector. Other donors are engaged in agricultural development, but none are working to promote NTAEs. For example, the Inter-American Development Bank (IDB) does not have a highly-directed agricultural program in the country since they view agriculture as being "too difficult" to tackle in that there is no comprehensive Government policy for agricultural development. IDB's work in the past has been to provide loans supporting policy change, market development, and irrigation infrastructure. The Canadian International Development Agency supports NGOs involved in microenterprise development and in the re-integration of demobilized forces into the economy, but is not involved in agricultural development. The European Community (EC) has a limited presence in the agricultural sector. The EC is promoting private-sector investment in mangos and avocados, reforestation and livestock development, and is contemplating a project to produce and export salt water shrimp. The World Bank's programs are primarily in structural adjustment loans, and in land titling. The Food and Agricultural Organization (FAO) is involved in seed research and seed certification programs, fishing projects, and forestry.

Both TechnoServe and CLUSA have ties to other donors, and DIVAGRO is actively pursuing contacts with European development organizations. TechnoServe is implementing a rural development project for the International Fund for Agricultural Development (IFAD), which is similar in scope to the United Nation's Food and Agricultural Organization, and is applying to the IDB to implement an irrigation support project for the creation of small-farmer water users groups on government-operated irrigation schemes. CLUSA has collaborated with the AMPES Project carried out by the German Development Agency (GTZ). DIVAGRO is presently in discussions with both the German Development Agency and the European Community to provide laboratory services to environmental projects sponsored by these two organizations.

SUSTAINABILITY OF PROJECT BENEFITS

Sustainability of NTAEs in El Salvador

Selected non-traditional agricultural exports have reached a level of development where they could continue without outside assistance, and are therefore sustainable. Their production technology has become institutionalized and strong links exist to overseas markets. Examples of sustainable crops include melons, pineapples, organic products, frozen vegetables, brined peppers, shrimp larvae, sesame and ornamental plants.

However, the growth of NTAEs in El Salvador is not sustainable without continued outside assistance. The reason is that new organizations and individuals (cooperatives, exporters, and private investors) need assistance to enter a program of NTAE production and export. Furthermore, the process of identifying new products and new markets still requires outside assistance. Without continued assistance, NTAE output is likely to stagnate and may decline if less-efficient and less-qualified producers leave the industry.

Sustainability of Organizations involved in NTAEs

The 126 cooperative organizations which received assistance from TechnoServe and CLUSA in NTAE production over the course of the three Projects are sustainable institutions in that they will continue to operate, in one way or another, without continued support. In today's environment it is highly unlikely that a cooperative will be allowed to go out of business, or even suspend its operations. However, the sustainability of the assisted cooperatives as a business is another matter: A sample of TechnoServe assisted cooperatives showed that almost one-fourth have a negative net worth, are technically bankrupt, and are faced with an uncertain future. Of the cooperatives assisted by the various Projects, it is estimated that six would be capable of producing and exporting fresh NTAE products if external support were not available. These six cooperatives are unique in that they have acquired all the necessary technical skills, business maturity, financial viability and market links. In addition, their scale of operations is relatively large, and they have a productive base (such as sugar cane) which provides a stable income and offsets much of the risk inherent in NTAEs.

Of the fifty private businesses which received assistance and/or loans from DIVAGRO, a total of fourteen, or twenty-eight percent have closed. The remaining thirty-six ventures continue to operate and are sustainable, subject to the hazards of business.

Three second-level organizations have received substantial support from CLUSA and/or TechnoServe. These are a) UCRAPROBEX, the Association of Cooperative Producers, Processors, and Exporters, which is the primary marketer of organic coffee and cashew nuts produced by CLUSA-assisted cooperatives; b) PROXSAL, the Association of Salvadoran Producers and Exporters, created by CLUSA and is expected to continue marketing NTAEs after

the Project ends, and c) PROESA, the counterpart organization working with CLUSA on the National Reconstruction Support Project.

UCRAPROBEX is sustainable. The organization has reached maturity, has a successful track record, is well managed and has a strong balance sheet. Neither PROXSAL nor PROESA are sustainable at this point; however, in the year left before the Projects end, CLUSA can do much to strengthen them.

Sustainability of implementing organizations

Over the past eighteen months FUSADES has initiated a self-sufficiency plan which has brought about a dramatic reduction in operating costs, increased the collection of service fees and placed in sharper focus the category of projects carried out by the organization. The President of the foundation has declared that FUSADES is financially self-sufficient and is currently operating with a positive cash flow. An important part of FUSADES' income and financial health is interest income earned from a Bahamian trust with a value of around \$20 million. The trust was created from the loan components of three USAID-funded projects implemented by FUSADES, including the Agribusiness Development Project. Interest earned from idle capital and rolled-over loans finances a large percentage of FUSADES' operating costs.

DIVAGRO's financial sufficiency, and therefore its sustainability, is riding on the success or failure of La Colina farm. The likelihood of its success appears high.

The CLUSA/El Salvador organization is not considered sustainable nor was it intended to be. The two second-level organizations supported by CLUSA - PROXSAL and PROESA - are meant to be the surviving organizations which will carry out some of CLUSA's functions when both Projects end.

The long-term outlook for TechnoServe/El Salvador is tenuous at best. In light of the organization's current portfolio of projects, it should be able to continue operating on a limited scale through early 1997. However, its survival over the long run will likely require a major service contract with an international organization. To ensure that a successor organization exists which can continue TechnoServe's work a group of TechnoServe executives created the Salvadoran Foundation for Rural Development (FUSADAR). While the financial outlook of this organization is also uncertain, it is built on a solid management foundation giving it a reasonable chance to succeed.

Sustainability of project-related services

NTAE product and market information will continue to be available from PRIDEX, the export promotion department at FUSADES, and PROXSAL will provide export marketing services to its members.

"Developmental" technical assistance, such as that provided by TechnoServe and CLUSA is not sustainable. TechnoServe discovered that, at most, its clients would pay 30% of the cost of an integrated technical support program. However, "commercial" technical assistance, such as providing export services and helping solve specific crop-related problems is sustainable. A number of private organizations in El Salvador provide technical services on a commercial basis to the agriculture sector.

REASONS FOR SUCCESS

The investment experience in NTAEs gained from the project confirms, not discovers, the following reasons for success:

Successful investments had...

- a) Competent management and technical expertise;
- b) the ability to produce reasonably high yields of export-quality product;
- c) favorable market conditions, and
- d) adequate financial support.

The failed investment projects experienced the following difficulties:

- a) Poor market conditions, (low prices and fluctuating demand);
- b) inadequate financial support, usually due to problems experienced in project financing, and
- c) inadequate financial reserves. (Agricultural investments are often risky and the balance sheet must be viewed in the medium and long run, as long as management and markets are judged to be sound).

PART THREE

RECOMMENDATIONS

USAID

Continued Assistance to NTAEs

USAID should continue to support non-traditional agricultural crops in El Salvador. NTAEs are still a valid development tool and merit continued support, for the same basic reasons why they were considered initially.

The evaluation team strongly disagrees with the blanket, sweeping indictment expressed in the final evaluation of the FIDEX portfolio in which the "suitability" of El Salvador as a producer and exporter of non-traditional agricultural products was questioned. We believe that the FIDEX evaluators were looking at DIVAGRO's projects from a banker's perspective and were not concerned about their developmental aspects. Furthermore, the statement appears to be a "hip shot", unsubstantiated by any of the data in the report, other than the fact that some of the projects failed. It is clear that El Salvador is suitable as a producer of a number of NTAE crops which require tropical conditions; the country is not suitable for other, temperate crops which require cooler, high mountain climates. The solution, of course, is to make intelligent choices in terms of which crops to grow and which markets to serve.

Recommended Model for NTAE development

In the future, USAID should leverage its efforts in order to increase its impact on the production and export of non-traditional products. The recommended approach is to use producer/exporters or export operators as a nucleus around which to promote outgrower arrangements with small/medium farmers and cooperatives. The outreach program would capitalize on existing, viable enterprises which have already climbed the learning curve to become exporters of NTAE crops. Any agribusiness operator - private farmer, cooperative, corporate farm, or exporter - involved in growing and/or exporting NTAEs could serve as that nucleus. The outreach program would be advantageous for both sides. The nucleus would provide a ready market and targeted technical assistance in crop production, much as is the present case for the production of melons, blackeyed peas, okra and chili peppers in brine. The outgrowers, or "satellite farms" would provide additional product. USAID Project services would include technical assistance for crop production and quality control to the outgrowers, marketing information and assistance to the producer/exporters as required, and in general, work to reduce the startup cost and the risk to both parties. Under this scenario, the Project implementer would have the moral authority to be a deal-maker between the two sides, and would ensure that each receives open, fair treatment in the business venture.

CLUSA

Arrange for the continuation of NRS services and remaining work to ensure viability of export systems

In order not to lose the momentum which will be gained under the NRS Project, USAID should look for means to continue this effort beyond the pilot stage. There is little possibility that the assisted cooperatives will have "graduated" by the time the Project ends.

Orderly Phase-out of NTAE Production and Marketing Project

Given that USAID assistance under the NTAE Production and Marketing Project beyond the current project completion date of June 30, 1996 is still being discussed, the team recommends that CLUSA prepare a plan for its orderly close. The focus of the phase-out should be on solidifying accomplishments made to date, and to ensure the continuity of CLUSA services to the greatest extent possible. As a minimum, CLUSA should ensure the viability of the export systems for the three categories of products for which so much development effort has been spent: 1) processed organic products (coffee; cashews); 2) fresh products, organic as well as traditional, and 3) non-traditional products grown for local processing, and later export.

CLUSA should also prepare its cooperatives for its eventual departure. This will require 1) stable management within the cooperatives, and 2) the development of linkages with organizations that can provide complementary post-harvest functions such as export services, transport, marketing and quality control.

PART FOUR

LESSONS LEARNED

What can be extracted from the experiences in the design and implementation of the four grants? The following lessons learned appeared most significant in the team's view.

SETTING GOALS AND OBJECTIVES AND ESTABLISHING YARDSTICKS

Make Them Consistent

Project goals of the Rural Enterprise Development II Project were to increase employment, rural income, and production. However, the performance measures established for the Project measured total earnings, work force, and production output of the cooperatives assisted by TechnoServe. These were inappropriate for measuring progress toward the goals of incremental employment, income, and production. Furthermore, when TechnoServe was assigned the responsibility to promote NTAEs under the Rural Enterprise Development II Project, no baseline was established against which performance could be measured.

Make Them Realistic

The targeted beneficiaries of the National Reconstruction Support Project are demobilized fighters with little experience in agriculture, much less the production of NTAEs. In the team's view, a two-year project is insufficient time to develop these groups into self-sufficient producers of non-traditional agriculture products.

TIMING IS EVERYTHING

There is no substitute, serendipitously or not, for having the right project in the right place at the right time with the right implementor. The DIVAGRO model is certainly a case in point. The team believes that the relative limited impact of the Project was due to the convergence of a number of important factors. The Project was tightly focused and provided a wide range of services. However, the environment in which the Project was carried out was characterized by personal insecurity and financial uncertainty in the rural sector, and a "laissez-faire" Government policy toward NTAEs. Also, in the team's view, the implementor did not rise to the occasion to overcome the problems, nor to refocus the Project's efforts onto a broader base of stakeholders in the rural economy who were open to investment in the agricultural sector. If a similar Project were launched in today's environment, even with the same implementor, the impact would likely be much greater.

GO AROUND BRICK WALLS

When operating in an adverse environment that cannot be changed, it becomes necessary to change the strategy for project implementation. For example, DIVAGRO worked in an adverse investment environment, where private investors were reluctant to invest in NTAEs. DIVAGRO could have developed alliances between cooperatives, farmer associations or medium-size farmers who already had a stake in agriculture and private businesses providing post-harvest NTAE services.

A second example is CLUSA's long-suffering approach to the frequent turnover of cooperative Directors, and the resulting management changes, which led CLUSA to conclude that the cooperatives would never "graduate". Instead of perpetuating the delivery of technical services, CLUSA should insist on stable management. This surely can be done without breaking cooperative laws, or without treading on cooperative sensitivities. A contract arrangement with the cooperative whereby the same manager would be in place for the duration of the contract might be one possibility; another would be to work with a permanent management committee for the production of CLUSA-sponsored crops.

THE REQUIREMENT FOR EDUCATION

Cooperative development in El Salvador requires education, not simply training. Project implementation must take a long-term view, 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 take a long time to accomplish. Follow-up assistance is required, even after "graduation".

ATTACHMENT

COMMENTS TO THE EVALUATION DOCUMENT

USAID Project Officer - Agribusiness Development Project

(Project No. 519-0327)

During my reading of the summary of the NTAES' evaluation final report, I have found some data that is erroneous and misleading. Some of the comments of the evaluators may be the product of these wrong figures, therefore, it is my opinion that they should be carefully revised and if comments are affected, should be changed. Some examples will be given in the course of this report.

A. COMMENTS TO THE SUMMARY REPORT OF THE EVALUATION OF THE NTAES PROJECTS IN EL SALVADOR.

1. Page 1. Conclusions: A). This opening statement of the CONCLUSIONS section is a) highly biased, and b) not supported by figures. A superficial view of the figures that follow supports my comment. For the purpose of comparison, I am using data that can be compared, as reported in each of the Projects' SARs, in order to avoid comparing apples with oranges. In the first case, TNS is in disadvantage because its mandate to get involved in NTAES was only for the last year of the Coop. Agreement. In the case of employment, CLUSA has been reporting person-days rather than jobs created. In the case of cooperatives assisted and direct/indirect beneficiaries, CLUSA, TNS, and CLUSA/PROESA are in disadvantage against DIVAGRO due to the length of the life of the project.

a) Hectares in production:

| | |
|-----------------|--------|
| 1. DIVAGRO | 29,106 |
| 2. CLUSA | 10,612 |
| 3. TNS | 2,381 |
| 4. CLUSA/PROESA | 1,065 |

b) Number of export crops produced:

| | |
|-----------------|----|
| 1. DIVAGRO | 20 |
| 2. TNS | 17 |
| 3. CLUSA | 15 |
| 4. CLUSA/PROESA | 5 |

c) Employment (Jobs Created)

| | |
|-----------------|--------|
| 1. TNS | 47,956 |
| 2. DIVAGRO | 27,346 |
| 3. CLUSA | 2,604 |
| 4. CLUSA/PROESA | N/A |

d) Number of cooperatives assisted:

| | |
|-----------------|-----|
| 1. DIVAGRO | 175 |
| 2. TNS | 66 |
| 3. CLUSA | 58 |
| 4. CLUSA/PROESA | 10 |

e) Total direct/indirect beneficiaries:

| | |
|-----------------|---------|
| 1. DIVAGRO | 330,780 |
| 2. TNS | 287,736 |
| 3. CLUSA | 183,496 |
| 4. CLUSA/PROESA | 4,874 |

2. Page 1. Conclusions: B). Please see figures in table above for "mediocre performance in Project implementation" Otherwise, please be more specific.

USAID EVALUATION SUMMARY REPORTS

DIVAGRO

EVALUATION SUMMARY PART I:

This project was intended to generate rural employment, income and foreign exchange by increasing the production of non-traditional agricultural and aquaculture products. The project design called for financial and technical assistance to producers, processors and exporters. The implementing institution, DIVAGRO, was to have stimulated private domestic and foreign investment and to have established commercial relations with foreign buyers.

This evaluation was performed by Agricultural Development Consultants, Inc. in July and August, 1995. This is a final evaluation. Major findings and conclusions include:

- Project implementation was weak.
- Small ornamental plants, shrimp larvae and food processing export industries were established, which generate approximately \$8.0 million annually in foreign exchange earnings.
- DIVAGRO did not establish an on-going program for the continued development of NTAEs. The successful enterprises which resulted from the Project have a modest impact on income, employment and foreign exchange earnings but they hardly justify seven years of effort and an investment of \$33 million.
- A high-tech commercial farm, quality assurance laboratory and market information system were established. The laboratory and market information system have a tenuous economic viability.

The following lessons were noted:

- The implementing organization should have the flexibility to modify its strategy for carrying out a project, or the project should be redesigned when unalterable obstacles make it impossible to implement it as originally designed.
- There is no substitute for effective USAID project monitoring.
- USAID and/or the implementing organization should be prepared to either terminate or make wholesale revisions to projects which cannot be implemented as designed.

EVALUATION SUMMARY PART II:

GOAL AND PURPOSE

The goal of the Project was to increase employment and foreign exchange earnings by expanding nontraditional agricultural production and exports. The Project purpose was to increase the production and export of non-traditional agricultural products (NTAEs). To this end, the Project provided technical assistance, training, and credit resources to individuals and private enterprises involved in production, processing, and export of non-traditional products. Only traditional export crops such as cotton, coffee, sugar and marine shrimp were excluded from Project assistance. The project provided support to DIVAGRO through the following components:

- A \$10.0 million credit fund (later reduced to \$5.6 million);
- A research and extension program;
- An export market information system; and posteriorly,
- A quality control laboratory.

In addition to these activities, DIVAGRO was charged with the tasks of stimulating local and foreign investment for producing and marketing NTAEs, as well as establishing market contacts.

The purpose of the evaluation was to assess the effectiveness of the Project design and implementation strategy for achieving its objectives, and to make recommendations regarding strategies for developing the NTAE sector.

PROJECT IMPACT

- a) The Project supported the development through credit, technical assistance and market identification, of a small but healthy export industry for flowers and ornamental plants, which currently exports about \$3.0 million annually.
- b) The Project supported the development, primarily through the credit fund of two food processing plants exporting frozen and canned foods, which draw on the agrarian reform cooperatives and other small producers for most of their raw material inputs. Exports from these two companies are approximately \$2.0 million annually.
- c) The Project supported the establishment of two shrimp larvae production facilities, which export between \$1.0 and \$1.5 million annually.

d) The Project funded FUSADES' construction and operation of a modern analytical laboratory for product quality control which also has the capability to produce significant quantities of planting stock through tissue culture techniques.

e) The Project financed most of the cost of establishing and operating a farm wholly-owned by FUSADES which currently produces and exports fresh pineapples to specialty markets in the United States. The farm also serves as a demonstration center for commercial crop production.

f) The Project generated new technology for NTAE production which has been adopted on a limited basis in El Salvador.

CONCLUSIONS

a) DIVAGRO did not establish an on-going program for the continued development of NTAEs. The successful enterprises which resulted from the Project have a modest impact on income, employment and foreign exchange earnings but they hardly justify seven years of effort and an investment of \$33 million.

b) The DIVAGRO "model", or program for NTAE sector development which supported the private sector in all aspects of non-traditional crop production, post-harvest handling, processing and marketing was valid. However, when it realized the agribusiness environment prevailing in El Salvador at that time was not conducive to implementing its program, DIVAGRO lacked the initiative or will to adapt it to the prevailing conditions.

c) While the ornamental horticulture industry was well suited to FUSADES' strategy for NTAE development, its potential is limited. On the other hand, large-scale agroindustry like the Del Tropic freezing plant provided a model that combined the entrepreneurial focus of FUSADES with the land and productive capacity of the Agrarian Reform cooperatives. The option of combining post-harvest entrepreneurship with the productive capacity of the cooperatives was not pursued by DIVAGRO.

d) FUSADES disagreed with two important USAID-initiated policies which constrained project implementation, but did not vigorously attempt to change either of them. These were the restriction on non-traditional crop production for local markets, and the requirement that DIVAGRO develop an aquaculture industry based on cultivated shrimp.

e) La Colina Farm is a FUSADES-owned commercial enterprise whose principal function is to generate income to support the institution. This activity comes at the expense of DIVAGRO's development function.

USAID evaluation summaries

f) The high-tech quality assurance laboratory and market information service are over-constructed for current demand. A serious marketing effort must be made if they are to be self-supporting.

LESSONS LEARNED

a) The implementing organization should have the flexibility to modify its strategy for carrying out a project, or the project should be redesigned when unalterable obstacles make it impossible to implement it as originally designed.

b) There is no substitute for effective USAID project monitoring. Even under the Cooperative Agreement mode of implementation, an involved project officer is a valuable input into the process.

c) USAID and/or the implementing organization should be prepared to either terminate or make wholesale revisions to projects which cannot be implemented as designed. FUSADES' senior managers are unanimous in their belief that their NTAE program was not viable under the civil war conditions and political instability during the 1980s and the early 1990s. Why, then, did the Project continue?

TECHNOSERVE

EVALUATION SUMMARY PART I

The project goal was to increase rural income, employment and production by developing agrarian reform cooperatives into well-managed enterprises. In addition, the implementing organization was to strengthen second-degree cooperative institutions which service their member cooperatives. The Project design calls for the institution building of participating cooperatives and second-level support institutions by management and administrative assistance and training.

This evaluation was performed by Agricultural Development Consultants, Inc. in July and August, 1995, and is a final evaluation. Major conclusions and the lesson learned were:

MAJOR CONCLUSIONS

- TechnoServe has achieved or exceeded the performance targets established in the Cooperative Agreement. However, in view of the method used by TechnoServe to measure its performance, it is unclear how many *new* benefits were generated.
- TechnoServe's impact on the production and export of non-traditional crops was small, but the requirement was introduced only during the fifth year of the project.
- TechnoServe has successfully assisted its clients to achieve a degree of organizational maturity which is an important element of sustainability. Primary benefits have resulted from the installation of management information, control, and planning systems, including basic accounting and budgetary control procedures.
- The problem of frequent changes in cooperative leadership was a major obstacle to the successful completion of TechnoServe's program. TechnoServe's investments in time and energy for institutional strengthening of the cooperatives were often lost with the arrival of new cooperative management. TechnoServe has had to dedicate too many of its resources to overcome this problem.

LESSONS LEARNED

- A project's goals, strategy, performance measures, and indicators should be consistent. TechnoServe stated that its goals were to increase rural employment, income and production through working with self-managed enterprises. Results cannot be measured because performance measures were designed to track process, not progress.
- When an environment that cannot be changed adversely affects progress, it may become necessary to change the strategy for Project implementation.

EVALUATION SUMMARY PART II

PURPOSE OF PROJECT AND EVALUATION

The purpose of this project was to develop self-managed rural enterprises and to assist and strengthen those institutions which provide services to the assisted enterprises. Activities were focused on the Agrarian Reform cooperatives, as well as traditional agricultural cooperative enterprises. The overall objective of the Project was to convert a target group of agricultural cooperatives experiencing moderate to serious management and/or production problems into profitable self-sustained, self-managed enterprises. It was planned that through management strengthening the Project would bring about increases in rural incomes, employment and production.

This is the final evaluation of the Rural Enterprise Development II Project. The purpose of the evaluation was to determine the effectiveness of management strengthening as a strategy for creating viable cooperative enterprises, and to make recommendations regarding the use of this model as a component of an overall strategy to develop an NTAE sector in El Salvador.

MAJOR FINDINGS AND CONCLUSIONS

- The quality of TechnoServe's performance as the implementing institution of the Project must be rated as acceptable based its compliance with the targets set in the Cooperative Agreement, although with caveats noted in the text. While the quantitative indicators presented indicate that essentially all targets were met, questions remain as to the significance of this "success". The indicators of impact for this project measure anything but impact. They measure process.

To its credit, TechnoServe established genuine impact targets at the cooperative level as part of its planning and management activities. Even though the cooperatives did not reach these targets in most cases, this does not detract from the intention. Shortfalls can be explained by a number of conditions, not the least of which are that the Agrarian Reform cooperatives are barely viable business enterprises. The creation of an operational management system in these cooperatives first requires the creation of an operational management environment.

- TechnoServe has helped its clients achieve a degree of organizational maturity which is an important element of sustainability. Primary benefits have resulted from the installation of management information, control, and planning systems, including basic accounting and budgetary control procedures. These basic management development efforts have paid off over the long term.

- Based on TechnoServe's recent experience, it is concluded that a program of integrated technical services to cooperatives is not sustainable on a commercial basis. However, TA can be provided to second-level associations at commercial rates. This might serve as a focal point in the future for TechnoServe's technical services.
- TechnoServe's method for calculating project impacts makes it impossible to determine the impact of the program. When a cooperative and TechnoServe sign an assistance agreement, the initial employment figures, area cultivated, and incomes from that cooperative become part of TechnoServe's overall impact, and become inseparable from any increases that may or may not subsequently occur.
- Successful cooperatives generally shared some common features: a stable management structure separate from the board of directors, few rotations in the board of directors, and consistent policies. Unsuccessful cooperatives had high turnover among the board of directors, managers who were also board members, and policies which changed with each new administration.
- The problem of frequent changes in cooperative leadership has been a major obstacle for following through on TechnoServe recommendations. The investments made in management assistance were often lost with the arrival of new cooperative management. TechnoServe has had to dedicate too much of its resources to addressing this issue.
- The evaluation team felt that projects working with production cooperatives must achieve a separation of cooperative management, which have social and political concerns, from the management of the cooperatives business. Sustainability must be created on the business side of the operation. Technoserve should make such a separation a condition of providing services.
- The evaluation team found that TechnoServe played a limited role in NTAE development, and collaboration with other projects and institutions was not substantial. The objective of working with NTAEs came only during a final 12 month extension of the project, and there was no accompanying change in targets to include NTAEs.
- The team judged TechnoServe's initial strategy in working with the cooperatives to be a fairly successful one. TechnoServe's success stories often begin by working with a willing and able accountant. Subsequent achievements build on this initial effort which lends a disciplined approach to cooperative work.
- Of all the skills TechnoServe attempts to transfer to cooperatives, planning was considered by the cooperatives to be the most difficult to adopt, followed closely by marketing. Suggested technical changes in production, or installing new accounting systems were fairly straightforward by comparison.

LESSONS LEARNED

- A project's goals, strategy, performance measures, and indicators should be consistent. TechnoServe stated that its goals were to increase rural employment, income and production through working with self-managed enterprises. However, results cannot be measured because performance measures were designed to track the process, instead of progress.
- The problem with working toward a standard set of broad goals is that there may be occasions in which these goals and the strategy for achieving them become inconsistent. TechnoServe's strategy for institutional development of client cooperatives was to help improve management systems and to control costs. Given this strategy, employment could be expected to decline, at least in the near term.
- When an environment cannot be changed that adversely affects progress, it may become necessary to change the strategy for Project implementation. This is particularly applicable to the problem of rotating cooperative leadership. The evaluation team heard repeatedly that frequent turnover of cooperative decision makers means that cooperatives either do not graduate, or else drop recommended policies once the board of directors changes. TechnoServe could have made stable management a pre-condition for providing services. Possible solutions might have been to insist, as part of the agreement with a cooperative, on their providing stable management for a fixed period of time, or to nominate a permanent steering committee to manage crop production.

CLUSA

EVALUATION SUMMARY PART I

This project was designed to increase the volume of NTAEs produced on agrarian reform cooperatives and by other small farmers. This project expanded the pilot effort that ended in January, 1991, which had promising results. The goal of the project is to increase rural incomes through the production and marketing of NTAEs.

This was a mid-term evaluation, performed in the fourth year of a five year project. The evaluation was performed by Agricultural Development Consultants, Inc. in July and August, 1995.

CONCLUSIONS

- The program has been remarkably successful in meeting and surpassing its targets. There has also been a qualitative change in certain export markets through CLUSA's role as an "honest broker" in coordinating export programs between brokers, producers, and exporters. CLUSA has demonstrated that integrity in NTAEs is good business.
- The promotion of organic crops makes good economic sense because earnings tend to be greater than for traditional crops.
- Approximately six CLUSA-assisted cooperatives are now sustainable producers and exporters of fresh NTAE products. Institutions are in place and market linkages have been created so that they could continue to operate without outside assistance.
- It is doubtful that the Salvadoran Producers and Exporters Organization (PROEXSAL) will be sustainable by the time the NTAE Project ends.
- The sustainability of CLUSA's cooperative development efforts have been severely impacted by rotation of cooperative boards of directors which results in periodic management changes. Unless the problem is addressed, CLUSA's work will never end. CLUSA must help its clients achieve a separation of cooperative management, which have social and political concerns, from the management of the cooperatives business. Sustainability must be created on the business side of the operation.

RECOMMENDATIONS

- Given that USAID assistance under the NTAE Production and Marketing Project beyond the current completion date of June 30, 1996 is still being discussed, the team recommends that CLUSA plan for its orderly close.

USAID evaluation summaries

- The mission and role of the Salvadoran Producers and Exporters Organization (PROEXSAL) should be better defined.
- CLUSA should consider the entire farm as an enterprise rather than focus its' efforts exclusively on NTAEs. In order to not detract CLUSA specialists from their NTAE work, much of this management development work could be done by sub-contracting with local experts.

LESSONS LEARNED

- When an adverse environment cannot be changed, one must change the strategy for Project implementation.

EVALUATION SUMMARY PART II

PURPOSES OF THE PROJECT AND THE EVALUATION

The purpose of the Project is to increase the volume of selected NTAE products marketed abroad, which are produced by cooperatives and small farmers. The goal of the NTAE Project is to increase rural income through production of alternative crops, and through access to more lucrative markets. Targeted beneficiaries are cooperative members, along with small/medium producers.

Broad Project objectives are a) to increase and improve the production and export marketing of NTAEs, b) to improve and expand NTAE marketing systems, c) to develop and strengthen linkages between producers, processors, and exporters of NTAE products, and d) to promote investment in NTAE production and marketing.

The purpose of the evaluation was to measure progress toward meeting Project goals, to determine Project impact, to assess the sustainability of Project benefits, and to recommended a future course of action that USAID should consider to promote non-traditional agricultural exports.

MAJOR FINDINGS AND CONCLUSIONS

- The program has been remarkably successful in meeting and surpassing its targets. There has also been a qualitative change in certain export markets through CLUSA's role as an "honest broker" in coordinating export programs between brokers, producers, and exporters. CLUSA has demonstrated that integrity in NTAEs is good business.
- Recommendations of the pilot project generally were followed. In the instances where they were not followed, in the opinion of this team better solutions were found. The one

exception is the failure to provide a more "holistic" TechnoServe style approach to management assistance, in which management, planning, and accounting assistance are applied to the entire business.

- It is doubtful that the Salvadoran Producers and Exporters Organization (PROXSAL) will be sustainable by the time the NTAE Project ends. The organization is young and inexperienced, has not achieved financial self-sufficiency, and may experience conflicts of interest in trying to serve its highly varied membership.
- The promotion of organic crops makes good economic sense because earnings tend to be greater than for traditional crops. The reason is that production costs are lower since on-farm labor is used to produce organic fertilizers and "natural" pesticides at a lower cost than imported, synthetic products. For most crops, yields of organically grown crops are similar to yields obtained using traditional agricultural practices. Furthermore, market prices of organic products tend to be higher when these are targeted on small but growing "niche" markets. Additionally the team was impressed by the disciplined agricultural practices that accompanied organic agriculture (e.g. terracing), and by the use of non-synthetic fertilizers and pesticides which make the crop more friendly to the natural environment. The concept of organically grown products fits well with current market trends, especially in European markets.
- CLUSA has contributed to the institutional and development of management ability in the assisted cooperatives. It also needs to do more to improve management of the cooperatives' traditional agricultural activities.
- CLUSA brings a much needed attitude of problem solving and innovation to NTAE production. Examples are organic activities, overcoming barriers to imports of fresh jalapeños by exporting processed product.
- Some CLUSA-assisted cooperatives are sustainable because institutions are in place and market linkages have been created so that they could continue to operate without outside assistance. Examples of these are honeydew melons, watermelons, organic products, and all crops produced for local processing and later export. About six cooperatives could continue to produce and export fresh products without outside support.
- The sustainability of CLUSA's cooperative development efforts have been severely impacted by rotation of cooperative boards of directors which results in periodic management changes. CLUSA feels that assisted cooperatives can never graduate under the present system. Unless the problem is addressed, CLUSA's work will never end. CLUSA must help its clients achieve a separation of cooperative management, which have social and political concerns, from the management of the cooperatives business. Sustainability must be created on the business side of the operation.

RECOMMENDATIONS

- Given that USAID assistance under the NTAE Production and Marketing Project beyond the current completion date of June 30, 1996 is still being discussed, the team recommends that CLUSA plan for its orderly close. CLUSA should also begin to identify and assign responsibilities to all entities that will continue the organization's work after CLUSA leaves (e.g. technical assistance, marketing services, and institution building), and help develop linkages with outside service organizations to provide the required services on a commercial basis. CLUSA should turn its full attention on leaving institutional structures behind and on making its clients as sustainable as possible, so that there are no shocks when CLUSA's services end.
- CLUSA should consider the entire farm as an enterprise rather than focus its' efforts exclusively on NTAEs. It makes little sense for cooperatives to be making solid gains from NTAEs if they are using these to subsidize losses on traditional crops. In order to not detract CLUSA specialists from their NTAE work, much of this management development work could be done by sub-contracting with local experts.
- The mission and role of the Salvadoran Producers and Exporters Organization (PROXSAL) should be better defined. PROXSAL, with only one year of existence, is still a developing organization, without a clear mission, and without a clearly defined role as an organization created to serve its members. Some of its activities may conflict or compete with its member organizations. CLUSA should help PROXSAL develop a self sufficiency plan.
- The requirement to help create a national quality assurance program for NTAEs is viewed as impractical, and it is recommended that it be dropped from the Project.

LESSONS LEARNED

- When an adverse environment cannot be changed, one must change the strategy for Project implementation. The evaluation team heard repeatedly that frequent turnover of cooperative decision makers meant that CLUSA-assisted cooperatives either could not graduate, or else recommended practices would be suspended once the board of directors changed. CLUSA could have made stable management a pre-condition for providing services. Possible solutions could be to stipulate in the agreement with the cooperative that management must be stable for a fixed period of time, or that permanent steering committee would be named to manage NTAE crop production.
- Cooperative development in El Salvador requires education, not simply training. Project implementation must take a long-term view, 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 take a long time to accomplish. Follow-up assistance is required, even after "graduation".

CLUSA/PROESA

EVALUATION SUMMARY PART I

This pilot project began as an add-on to CLUSA's Non-Traditional Agriculture Export (NTAE) Production and Marketing Project (519-0392). The purpose of this Project is to increase production and marketing of non traditional agricultural exports (NTAEs) by cooperatives and other participant small farmers located in the exconflictive zones of El Salvador. The goal of the project is to increase rural incomes in the exconflictive zones of El Salvador through producing and marketing NTAEs.

The purpose of the evaluation is to measure progress toward meeting Project goals, to determine Project impact, to assess the sustainability of Project benefits, and to recommend a future course of action that USAID should consider to promote non-traditional agricultural exports from El Salvador.

MAJOR FINDINGS AND CONCLUSIONS

- **CLUSA and PROESA have begun a process of integrating a portion of the demobilized forces into society. CLUSA has also initiated a process of strengthening PROESA to eventually assume the major role in this area.**
- **The ends and means of the project are confused. The stated purpose of the Project is to increase the production and marketing of NTAEs by cooperatives and small farmers. However, in light of USAID strategic objectives, the greater issue is the reintegration of ex-combatants and sympathizers into the economic mainstream with a sustained increase in employment and family income. PROESA is assisting the ex-combatants with their reintegration into civil society, and CLUSA is providing the means to do so through the production and export of non-traditional crops. If the real purpose of the Project is the reintegration of these groups into civil society, CLUSA should be given greater flexibility to pursue other options, such as relaxing the export focus and pursue more stable local markets when appropriate.**
- **CLUSA has never established clear-cut objectives for the growth and development of the participating groups, therefore it is not clear when they can "graduate". Without targets and mileposts against which progress can be measured, the program will become self-perpetuating.**
- **The only producer associations that are run as traditional production cooperatives are those growing perineal crops on a large scale: coffee and cocoa. All other organizations are loose associations of individual farmers. The loosely organized voluntary associations which form the basis of the solidarity groups fit the "spirit of cooperation" much better**

production cooperatives created under the Agrarian Reform program. CLUSA's focus should be to help the associations define what group functions can best serve the individuals (i.e. credit, technical assistance, joint marketing, etc.), and to help create the appropriate administrative and organizational structure to fill their needs.

RECOMMENDATIONS

- These cooperatives and groups are too weak to produce and export non-traditional crops over the long term without continued assistance from CLUSA. Therefore, the Project may not be highly cost effective. It is recommended that the "E" be dropped from "NTAE" and that the Project be given the flexibility to promote non-traditional agricultural crops either for local markets, or for export.
- It is also recommended that the project implement a comprehensive management development program to give the small producers a greater sense of their overall operation. This would focus on the whole farm as a business, not only on favored products.
- It is not likely that any of the ten cooperatives and associations currently receiving technical assistance under the Project will be able to continue unaided by the time the pilot project ends. If the momentum gained over the life of the pilot project is not to be lost, then the current pilot project will have to be expanded in some form for a normal project life of approximately five years. It is recommended that USAID and CLUSA explore reasonable alternatives for extending the period of assistance to the benefitting groups.
- CLUSA and PROESA have begun a process of integrating a portion of the demobilized forces into society. CLUSA has also initiated a process of strengthening PROESA to eventually assume the major role in this area.
- The ends and means of the project are confusing. PROESA is dedicated to assisting the ex-combatants in their reintegration into civil society, and CLUSA is providing the means to do so through the production and export of non-traditional crops. If the real purpose of the Project is the reintegration of these groups into the economic mainstream, CLUSA should be given greater flexibility to pursue other options, such as relaxing the export focus and pursue more stable local markets when appropriate.
- CLUSA has never established clear-cut objectives for the development of the participating groups, therefore it is not clear when they can "graduate". Without targets and mileposts against which progress can be measured, the program will become self-perpetuating.

- The loosely organized voluntary associations which are the basis for the formation of the solidarity groups probably fit the "spirit of cooperation" much better than the Phase I Agrarian Reform cooperatives. By virtue of the way these associations are being created, as essentially service cooperatives, their long term chance of success may be greater than the "top down" production cooperatives created under the Agrarian Reform program.

EVALUATION SUMMARY PART II

PURPOSE OF THE PROJECT AND THE EVALUATION

Similar to Project 519-0392, the NRS Project contributes to the goal of increasing rural incomes and employment in El Salvador through production of alternate crops and access to more lucrative markets. The purpose of this Project is to increase production and marketing of non traditional agricultural exports (NTAEs) by cooperatives and other participant small farmers located in the exconflictive zones of El Salvador. The purpose will be achieved by increasing and improving production of NTAEs; improving and expanding the NTAE marketing systems; strengthening existing and developing new linkages between NTAE producers and processors/exporters; and increasing investment in NTAE production and marketing through a supervised credit program.

The focus of the Project is on emerging cooperatives and small producer groups located in previous war zones of San Miguel and Usulután. Many of the groups are composed of ex-guerrilla fighters with little or no prior experience in agriculture, with no cash reserves, with no collateral, and with no private-sector credit history.

This pilot effort is expected to demonstrate that these individuals and groups are capable of producing and marketing NTAE crops, and can manage credit in a responsible manner.

This was a mid-term evaluation, performed at the end of the first year of a two year project. The evaluation was performed by Agricultural Development Consultants, Inc. in July and August, 1995.

CONCLUSIONS

- CLUSA/PROESA have begun a process of integrating a portion of the demobilized forces into society. CLUSA has also initiated a process of strengthening PROESA to eventually assume the major role in this area.
- The ends and means of the Project are confused. The stated purpose of the Project is to increase the production and marketing of NTAEs by cooperatives and small farmers. However, in light of USAID strategic objectives, the greater issue is the reintegration of ex-combatants and sympathizers into the economic mainstream with a sustained increase

in employment and family income. PROESA is assisting the ex-combatants with their reintegration into civil society, and CLUSA is providing the means to do so through the production and export of non-traditional crops. If the real purpose of the Project is the reintegration of these groups into civil society, CLUSA should be given greater flexibility to pursue other options, such as relaxing the export focus and pursue more stable local markets when appropriate.

- CLUSA has never established clear-cut objectives for the development of the participating groups, therefore it is not clear when they can never graduate. Without targets and mileposts against which progress can be measured, the program will become self-perpetuating.
- The only producer associations that are run as traditional production cooperatives are those growing perineal crops on a large scale: coffee and cocoa. All other organizations are loose associations of individual farmers. The loosely organized voluntary associations which form the basis of the solidarity groups fit the "spirit of cooperation" much better than Phase I Agrarian Reform cooperatives. Since these associations are essentially service cooperatives their long term chance of success may be greater than the "top down" production cooperatives created under the Agrarian Reform program. CLUSA's focus should be to help the associations define what group functions can best serve the individuals (i.e. credit, technical assistance, joint marketing, etc.), and to help create the appropriate administrative and organizational structure to fill their needs.

RECOMMENDATIONS

- These cooperatives and groups are too weak to produce and export non-traditional crops over the long term without continued assistance from CLUSA. Therefore, the Project may not be highly cost effective. It is recommended that the "E" be dropped from "NTAE" and that the Project be given the flexibility to promote non-traditional agricultural crops. It is also recommended that the project implement a comprehensive management development program to give the small producers a greater sense of their overall operation. This would focus on the whole farm as a business, not only on favored products.
- Under the assumption that USAID's program in El Salvador will be reduced overall, but that a high priority will continue to be placed on the successful execution of the peace accords, it is assumed that USAID/El Salvador will want to continue its effort to support the development of these demobilized groups. In that case, the pilot project should be extended in some form for a normal project life of approximately five years. Under the expanded project CLUSA will have the opportunity to build service organizations or cooperative enterprises as needed instead of having to "retrofit" Agrarian Reform production cooperatives.

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It is recommended that USAID and CLUSA explore reasonable alternatives for extending the period of assistance to the benefitting groups.

- **It is also recommended that the project implement a comprehensive management development program to give the small producers a greater sense of their overall operation. This would focus on the whole farm as a business, not only on favored products.**

CLUSA's recommended approach will be:

- 1) To work on the basis of a farm enterprise model to create viable businesses.**
- 2) To provide the institutional support to create and develop the organization needed to provide the required services.**
- 3) To transfer production technology to the participating farmers, focusing on NTA as an income generator and as a methodology for transferring production and management skills to traditional crops.**
- 4) Institute a comprehensive program of management development for the management team of the service enterprises.**
- 5) Establish mileposts and clearly defined targets against which progress can be measured, so that the cooperatives and producer associations can ultimately graduate upon reaching the desired level of development.**

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ANNEX I

**FINAL EVALUATION OF THE
AGRIBUSINESS DEVELOPMENT PROJECT
(NO. 519-0327)
(DIVAGRO)**

ACRONYMS

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|------------|---|
| AID | Agency for International Development (U.S.) |
| ADP | The Agribusiness Development Project (519-0327) |
| CLUSA | Cooperative League of the U.S.A. |
| CRECER | Equitable Rural Economic Growth Project (No. 519-0397) |
| DEES | Economic and Social Studies Department of FUSADES |
| DIVAGRO | The Agricultural Division of FUSADES |
| FIDEX | The Export Finance Department within FUSADES |
| FUSADES | Salvadoran Foundation for Economic and Social Development |
| LOP | Life of the Project |
| MZ | manzana = 0.7 ha |
| NGO | A private, non-profit, non-government organization |
| NTAEs | Non-Traditional Agriculture Export Products |
| PROESA | Association of Salvadoran Producers and Entrepreneurs |
| PROXSAL | Salvadoran Producers and Exporters Organization |
| QAP | FUSADES' Quality Assurance Program |
| SARs | Semi-Annual Reports |
| UCRAPROBEX | Union of Coffee Producers, Processors and Exporters |
| USAID | United States Agency for International Development |

AGRIBUSINESS DEVELOPMENT PROJECT EVALUATION REPORT

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EXECUTIVE SUMMARY

The Agribusiness Development Project (519-0327) was initiated in 1987 through a Cooperative Agreement with the Salvadoran Foundation for Economic and Social Development (FUSADES), at a funding level of \$20.0 million and with an original completion date of September 30, 1992. Subsequently, both the funding level and the completion date were extended to \$33.0 million and September 30, 1995, respectively. FUSADES' counterpart contribution was established at \$11.0 million. The implementing agent for the project was DIVAGRO, the agricultural division of FUSADES.

The goal of the Project was to increase employment and foreign exchange earnings by expanding nontraditional agricultural production and exports. The Project purpose was to increase the production and export of non-traditional agricultural products (NTAEs). To this end, the Project provided technical assistance, training, and credit resources to individuals and private enterprises involved in production, processing, and export of non-traditional products. Only traditional export crops such as cotton, coffee, sugar and marine shrimp were excluded from Project assistance.

The project had four major components:

- a) A \$10.0 million credit fund (later reduced to \$5.6 million)
- b) Agricultural research, extension, and technology transfer
- c) Export marketing information and assistance
- d) A laboratory for NTAE quality assurance

In addition to carrying out these four primary activities, DIVAGRO was charged with the tasks of stimulating local and foreign investment for the production and marketing of NTAEs and for establishing contacts with foreign importers and brokers.

The FUSADES/DIVAGRO strategy for expanding the NTAE sector was based on the creation of a strong agricultural production, post-harvest handling and export capability in the hands of competent entrepreneurs. These enterprises were to provide the discipline and business acumen needed for Salvadoran exports to compete in foreign markets.

DIVAGRO worked to stimulate NTAE development and investment under difficult circumstances, principal among which were: a) the country was in a state of civil war, and b) the agricultural sector had undergone an agrarian reform program in which most of the best agricultural land had been transferred to cooperatives and other small producer groups, and c) government policies did not encourage investment in non-traditional agriculture.

An additional factor contributing to the general decline in agriculture at the time was that within the cooperatives themselves, the lack of financial resources and the limited management capacity of its members constrained them from fully exploiting their land.

The FUSADES program, or "model" was carried out in an environment of political uncertainty and physical insecurity, with land tenure in a state of flux. Private agribusiness operators no longer had control over the most basic agricultural resource: land.

IMPACT

The most important accomplishments of the Project were the following:

- a) The Project supported the development through credit, technical assistance and market identification, of a small but healthy export industry for flowers and ornamental plants, which currently exports about \$3.0 million annually.
- b) The Project supported the development, primarily through the credit fund of two food processing plants exporting frozen and canned foods, which draw on the agrarian reform cooperatives and other small producers for most of their raw material inputs. Exports from these two companies are approximately \$2.0 million annually.
- c) The Project supported the establishment of two shrimp larvae production facilities, which export between \$1.0 and \$1.5 million annually.
- d) The Project funded FUSADES' construction and operation of a modern analytical laboratory for product quality control which also has the capability to produce significant quantities of planting stock through tissue culture techniques.
- e) The Project financed most of the cost of establishing and operating a farm wholly-owned by FUSADES which currently produces and exports fresh pineapples to specialty markets in the United States. The farm also serves as a demonstration center for commercial crop production.
- f) The Project generated new technology for NTAE production which has been adopted on a limited basis in El Salvador.

CONCLUSIONS

- a) DIVAGRO did not establish an on-going program for the continued development of NTAEs. The successful enterprises which resulted from the Project have a modest impact

on income, employment and foreign exchange earnings but they hardly justify seven years of effort and an investment of \$33 million.

b) The DIVAGRO "model", or program for NTAE sector development which supported the private sector in all aspects of non-traditional crop production, post-harvest handling, processing and marketing was valid. However, when it realized the agribusiness environment prevailing in El Salvador at that time was not conducive to implementing its program, DIVAGRO lacked the initiative or will to adapt it to the prevailing conditions.

c) While the ornamental horticulture industry was well suited to FUSADES' strategy for NTAE development, its potential is limited. On the other hand, large-scale agroindustry like the Del Tropic freezing plant provided a model that combined the entrepreneurial focus of FUSADES with the land and productive capacity of the Agrarian Reform cooperatives. The option of combining post-harvest entrepreneurship with the productive capacity of the cooperatives was not pursued by DIVAGRO.

d) FUSADES disagreed with two important USAID-initiated policies which constrained Project implementation, but did not vigorously attempt to change either of them. These were the restriction on non-traditional crop production for local markets, and the requirement that DIVAGRO develop an aquaculture industry based on cultivated shrimp.

e) La Colina Farm is a FUSADES-owned commercial enterprise whose principal function is to generate income to support the institution. This activity comes at the expense of DIVAGRO's development function.

LESSONS LEARNED

Since the Project has ended it would be superfluous to make recommendations, thus a look at lessons learned:

a) The implementing organization should have the flexibility to modify its strategy for carrying out a project, or the project should be redesigned when unalterable obstacles make it impossible to implement it as originally designed.

b) There is no substitute for effective USAID project monitoring. Even under the Cooperative Agreement mode of implementation, an involved project officer is a valuable input into the process.

c) USAID and/or the implementing organization should be prepared to either terminate or make wholesale revisions to projects which cannot be implemented as designed. FUSADES' senior managers are unanimous in their belief that their NTAE program was

not viable under the civil war conditions and political instability during the 1980s and the early 1990s. Why, then, did the Project continue?

RESPONSE TO REVIEWER'S COMMENTS:

The draft evaluation report was circulated to USAID Officials as well as to the management and staff at DIVAGRO who were involved in implementing the Agribusiness Development Project. In most cases the final report was modified as appropriate to include the additional information provided by the reviewers. In other cases the comments received are simply quoted in footnotes to the relevant sections of the report. In all cases the evaluation team has attempted to fairly reflect the comments of the reviewer in the final evaluation report.

I. INTRODUCTION

A. PROJECT BACKGROUND

The Agribusiness Development Project (ADP) (No. 519-0327) began on September 29, 1987 with an initial AID funding of \$20 million, including a \$10 million credit line, and with a five-year project life. The project completion date was originally set for September 30, 1992. A Cooperative Agreement was written with the Salvadoran Foundation for Economic and Social Development (FUSADES) to carry out the project, which funded the Foundation's support to private-sector efforts to increase the production and export of non-traditional crops. FUSADES' counterpart contribution was set at \$11.0 million.

In July of 1989 the project life was extended for an additional two-year period and project funds were increased by \$13 million, bringing the total USAID grant to \$33 million. In August of 1993 the Credit Fund was reduced to \$5.6 million, with \$4.4 million re-allocated to FUSADES to provide additional technical assistance. The completion date of the amended project was originally set for September 30, 1994, but later was extended to March 31, 1995. A further "informal" six-month extension was granted until September 30, 1995 in order to complete the final evaluation and close-out audit.

The goal of the Project was to increase employment and foreign exchange earnings and the Project purpose was to increase the production and export of non-traditional agricultural products. To this end, the Project provided technical assistance, training, and credit resources to individuals and private enterprises. Only traditional export crops such as cotton, coffee, sugar and marine shrimp were excluded from Project assistance.

Agricultural research was also a key element; four agricultural experimental farms were established and in operation for most of the life of the Project. These farms carried out field trials on crop varieties and demonstrated growing selected crops using the latest production technology. Project amendment No. 4, dated July 31, 1989, authorized the construction of a quality assurance program (QAP) laboratory and an aquaculture experiment station to complement and broaden the Project's scope of action. In-house technical assistance was provided to producers and exporters to help solve a range of production and marketing problems, such as contracting for international transportation, establishing quality control procedures and the safe use of pesticides. International experts were contracted to carry out feasibility studies, to provide specialized technical assistance and to complete marketing studies for new export products.

FUSADES was created in 1983 with the aim of promoting economic and social development as a means of improving the standard of living for all Salvadorans. The foundation functions as a study and research center and as a development facility in the economic and social arenas. Business and social programs are carried out by its members on a voluntary basis. The foundation's activities are financed in part by member contributions, but principally by support

from national and international organizations. FUSADES was chosen as the implementing organization for the Project based on its status as a private foundation, on satisfactory past performance in implementing other agro-related projects for USAID and in part by default, since there were no other organizations judged to have adequate administrative and technical capability to implement this Project.

DIVAGRO, the agricultural diversification department within FUSADES, was the program unit responsible for implementing the Agribusiness Development Project. This organization previously implemented the private sector components of USAID's Agrarian Reform Sector Support Project (No. 519-0265) and its Water Management Project (519-0303).

DIVAGRO was charged with carrying out three elements of agricultural diversification:

- a) Developing and promoting new exportable agricultural commodities;
- b) promoting investment in the production and processing of non-traditional agricultural exports (NTAEs), and
- c) providing technical assistance to producers and processors of NTAEs.

It was planned that after the Project ended, DIVAGRO would leave behind companies and producing groups with substantially improved capabilities to grow, process and ship NTAEs. Additionally, it was assumed that the composition of FUSADES' membership would provide a direct conduit to the entrepreneurs of the agribusiness sector and stimulate their interaction with the Project, thus increasing its chances of success.

Performance objectives of the original four-year project were set at \$21.3 million in foreign exchange earnings, and 6,000 person-years of employment to be generated by Project-assisted enterprises over the life of the Project (LOP). However, when the Project was amended, the export projections were revised upward in light of reported previous success and the expected impact of expanded technical assistance. Expected Project accomplishments were increased to the following:

By the end of 1994:

- a) Employment generation would be 12,600 jobs (full-time equivalents).
- b) There would be 23,300 hectares in NTAE production,
- c) foreign exchange earnings would be \$49 million annually, and

d) \$12 million would have been saved by import substitution resulting from the local sale of NTAEs which failed to meet export standards.

Attached Table 1 compares Project objectives with actual accomplishments over the LOP, as amended, and Table 2 compares the authorized LOP level of funding with actual expenditures.

B. PREVIOUS EVALUATION

1 Mid-term Evaluation

In June, 1992 a mid-project evaluation was carried out by the consulting firm Management and Business Associates of Miami, Florida. Major findings and recommendations of the evaluation were the following:

a) DIVAGRO's performance in achieving log frame targets met expectations through the time of the mid-term evaluation.

b) The evaluation team found that planning for the quality assurance laboratory (QAT) was deficient in that the organization had neither a business plan nor a marketing strategy. It was recommended that QAP develop a business plan with a detailed market analysis and a strategy for cost recovery on a fee-for-service basis.

c) The team concluded that the agribusiness credit component of the Project was an effective means of generating rural employment, especially for women. It was recommended that DIVAGRO play a more active role as intermediary between FIDEX (FUSADES' export finance department), other sources of credit and the agribusiness community

d) It was recommended that DIVAGRO undertake a commercial venture of its own, through an independent subsidiary, to better link itself to the market in which it worked.

e) The team recommended that DIVAGRO develop a strategy of marketing itself to the broader donor community to ensure that funds would continue to be available to maintain core services.

f) During the 30 months which remained from the mid-term evaluation until the project completion date, the evaluators recommended that DIVAGRO focus on the following activities:

Restructuring the organization in matrix form, similar to that of a consulting company whose work is organized around projects. This would permit greater responsiveness to client demands and provide closer linkage between market-

defined NTAE products, field research at the demonstration plot, and technical assistance provided to producers.

Implementing tactical and strategic measures aimed at achieving self-sufficiency.

2. Final Evaluation of FUSADES

A final evaluation of FUSADES was also done by the firm Marketing and Business Associates in June, 1995, which examined the several components of four USAID Projects implemented by the foundation:

- a) Project 519-0327 - Credit component of the Agribusiness Development Project;
- b) Project 519-0303 - Credit component of the Water Management Project;
- c) Project 519-0287 - Private Sector component of the Industrial Stabilization and Recovery Project, and
- d) Project 519-0336 - Private Sector Initiatives Project in support of business associations.

The evaluation of the Agribusiness Development Project was made to assess the impact of FUSADES' loan portfolio on the creation of agribusinesses and its contribution to NTAE development. The evaluation team noted USAID development assistance carried out through FUSADES totaled approximately \$115 million by the end of 1994, and concluded that the foundation played an important and possibly crucial role in sustaining and strengthening democratic institutions during the civil war. Further, it was felt that USAID's support to the foundation had an impact on the transition to peace, strengthening of democratic institutions and building a strong post war recovery.

Agribusiness loans were administered by FIDEX, the Export Finance Department within FUSADES. The evaluation team concluded that the weaknesses demonstrated in the sample of investment projects examined were due to El Salvador's general lack of comparative advantage for the development of NTAEs. While it was felt that El Salvador could possibly succeed in some NTAE niche markets, it was felt that the country's disadvantages vis a vis Guatemala, Nicaragua or Costa Rica accounted for its limited agricultural loan portfolio.

According to the evaluators, a lesson learned from the experience with NTAE development in El Salvador is that the "suitability" of a country for a specific project should be carefully assessed and reviewed prior to committing economic, financial and personal resources to it.

A second lesson learned was related to program sustainability. The evaluators expressed their belief that USAID should consider devoting a portion of its yearly budget to building an endowment to assure continued funding of foundations such as FUSADES. The team felt that FUSADES would be in a difficult situation when USAID support ended and was gambling on the success of one project, La Colina, in order to survive.

II. ANALYSIS

A. SUITABILITY OF PROJECT DESIGN AND IMPLEMENTATION STRATEGY

Agribusiness assistance addressed six requirements for developing export-oriented agriculture: a) credit, b) market access, c) transport, d) product quality control, e) production technology transfer and f) the creation of an enabling business environment.

Credit: The credit line was an essential component of the project. In view of the public control of the Salvadoran banking system, the designers evidently concluded that banks would give priority for agricultural loans to the reform sector rather than to the entrepreneurial sector which was the target group in the FUSADES model. The credit line, supported by technical assistance funded under the project, was designed for such lending.

The Project provided a \$5.4 million loan fund, initially \$10 million, to be made available to eligible firms or individuals. This activity made investment and working capital credit available to domestic and foreign investors to stimulate the establishment of new or expanded agribusiness operations. The fund furnished loan financing to specific projects in colones and dollars. USAID credit guidelines established a minimum loan level, in the combined amount of foreign exchange and local currency, of \$50,000. Credit funds were managed by FIDEX, which during the life of the project was converted to a commercial bank, BANFIDEX, among whose largest shareholders are past and present members of the Board of Directors of FUSADES.

Market assistance was provided to exporters of NTAE products through market intelligence and analyses; establishing contacts with and screening foreign brokers and importers; and by providing product specifications required by foreign markets. DIVAGRO's Miami representative provided on-going contacts with U.S. and other foreign buyers, and assisted in negotiations between them and Salvadoran producers.

Transportation assistance was provided by negotiating service agreements with both air and sea freight carriers and by facilitating transport logistics and documentation for exporters during the early stages of their export activity.

Quality assurance of non-traditional exports was provided by the construction of a QAP laboratory to ensure that fresh fruit and vegetable exports conformed to established tolerance levels for chemical residues.

Production technology transfer was provided through the development of technology packages, including economic and feasibility analyses; research and validation for NTAE crops; commercial testing of suitable varieties; and, on-farm demonstrations. Entrepreneurs and companies were assisted in a wide variety of products in several commodity lines by providing needed inputs at one or more stages. The package of technical/technological assistance was individually tailored to the needs of each client. The DIVAGRO program unit was the focal point for providing these types of varied assistance, either by contracting short term consultants or directly through its own technical staff. Short term training for individuals and groups involved in activities that contributed to the Project's goal and purpose were financed under the Cooperative Agreement.

Creation of a favorable business environment: With the support of FUSADES, DIVAGRO lobbied for a favorable legislative climate through informal relations with those government agencies whose operational mandates had an impact on diversification activities. In addition, marketing data and technical information were shared with government officials, who were frequent participants in DIVAGRO's seminars. In addition, FUSADES used its Economic and Social Studies Department (DEES) to study economic development problems in El Salvador and to recommend policy initiatives conducive to economic growth and strategies for export and investment.

Project designers further planned that the Agribusiness Development Project would serve the needs of small farmers through linkages with projects which were positioned to reach the agrarian reform cooperatives. These projects included Agrarian Reform Financing, Cooperative Production and Marketing Rural Small Enterprises and Rural Enterprise Development. Participation of women-owned and operated farms in the Project was to have taken place through outreach to the Agrarian Reform cooperatives.

The integrated project design, with its components for credit, production technology transfer and export marketing assistance, was highly suited to the accomplishment of Project goals and objectives. Furthermore, DIVAGRO's implementation plan drew on the highly successful agricultural diversification efforts of Fundacion Chile, the Chilean export promotion agency, which was contracted early-on by DIVAGRO to help develop that plan.

B. PROJECT IMPACT

1. NTAE Investment Projects

The most successful areas of NTAE investments were the production and export of flowers and ornamental plants, and the support of agroindustrial operations. Over the course of the Project, DIVAGRO assisted a total of 50 investment projects. FIDEX made 42 loans to 16 entrepreneurs and private companies, for a total of \$5,547,584. In general the portfolio has performed well, although in dollar terms the loans with major problems are among the largest disbursed. The

following is a summary of the performance of DIVAGRO-assisted projects by agroindustrial group.

Flowers and ornamental plants: Of the 24 projects assisted by DIVAGRO,

- five requested financial assistance through FIDEX, one of which is in arrears,
- one has been abandoned, and
- over 95% have expanded operations.

Agroindustry: Of the 9 projects assisted,

- five requested financial assistance through FIDEX, one of which defaulted on a \$1.7 million loan,
- eight continue to operate at the same or expanded levels.

In contrast, the experience with newer and/or riskier activities, which did not attract the same category of entrepreneurs fared considerably worse.

Melon production and export: Of the 11 melon production and export projects,

- five requested financial assistance through FIDEX, three of which defaulted on the loan, and one paid the loan but ceased operations,
- eight are no longer operating, and
- one has reduced its area of production.

Aquaculture: Of the 6 aquaculture projects,

- all requested financial assistance through FIDEX, of which two were rejected, two are in receivership, one is seriously in arrears and one is current.
- Two are presently operating.

Of the thirty-six enterprises which continue to operate, only two are large operations, Del Tropic and Bon Appetit, which produce frozen and canned foods, respectively. Both look to the agricultural sector, and in particular to the cooperative sector, for most of their raw materials. Del Tropic has a limited capacity to provide technical guidance and assistance to producers and normally acts in liaison with CLUSA or other technicians who work directly with the

cooperatives. The enterprises that produce and export ornamental plants are self-contained. There is little or no exchange of technology within the group, and no spill over of technology to outsiders. A similar situation exists with respect to the two facilities which produce and export shrimp larvae.

Table 3, at the end of this Annex, summarizes the current status of DIVAGRO-assisted projects. Attached Table 4 summarizes the current loan portfolio.

2. Other Impact on NTAE Promotion Activity

Over the life of the Project, four agricultural and one aquaculture experimental stations were to have been established. The latter, which was contemplated for freshwater shrimp, never materialized. Whether the plan was abandoned for lack of interest, lack of resources or its technical inappropriateness in El Salvador is not clear; each reason appears in relevant documentation. Of the four agricultural experiment stations, only one remains: La Colina. However, while there is some investigative and validation work carried out on vegetables for the local market and ornamental plants for planting stock, with field days held to demonstrate crops and technology, the farm is a FUSADES owned commercial enterprise whose principal function is to generate income to support the institution.

In this role, La Colina has embarked on an innovative pineapple export program which air freights field-ripened fruit to buyers in the USA. Currently, about 1,000 20-lb boxes are shipped weekly, which command double the price of traditional pineapples. Both demand and production capacity are expanding. The production activity is complemented by a modern packing facility which has enough installed capacity to receive product from other producers, if this were to be developed. On a much smaller scale, the farm also generates income from exports of watermelon and ornamental plants, and from vegetable sales to local supermarkets.

As in the "Fundacion Chile" model, it was initially planned that DIVAGRO would provide a full range of export services to promote NTAEs, including the certification of export quality. This quality assurance program was to have been developed along the lines of the "Good Housekeeping seal of approval" in the United States, where an independent organization certifies the quality of consumer items. It was in this context that the QAP laboratory was conceived and constructed. While there was a perceived need for laboratory services, the design capacity and cost of the laboratory were not based on an assessment of the magnitude of those needs, nor of the potential demand for services. As it now stands, the QAP laboratory is donning the mantle of a "white elephant". The laboratory is actively promoting its services to industry and agriculture in El Salvador and regionally in Central America. It is capable of carrying out soil, water, foliage, microbiology and pesticide residue analyses, and a tissue culture unit is available for propagating high-value plant varieties. At present, there is inadequate demand to cover operating costs, although the FUSADES sustainability plan projects that the laboratory will be self-financing in 1997. FUSADES is contemplating the possibility of its achieving viability by

fomenting government regulations which would force the private sector to use its services. While some case can be made for increased monitoring of the quality and purity of food products for health reasons, there is a real danger of a situation evolving where make-work regulations are instituted on a national level to enable FUSADES to earn sufficient income to pay the operating expenses of the laboratory.

3. Gender Impact

The Social Analysis Update section of the amended project paper for the Project extension does specifically identify women as being one of the targeted populations, as agricultural workers, owners and operators of small farms and as the primary labor force in processing plants. However, no specific objectives nor targets were set according to gender.

Project monitoring data, as reported in the Semi-Annual Reports (SARS) were dis-aggregated by gender. According to these reports, FUSADES activities in the area of NTAEs had created 27,346 full time job equivalents by the end of the Project in March 1995. If the figures are accurate, the impact was more than double the number of jobs planned for. Of the total jobs created, 64 percent were reportedly held by women.

The evaluation team did not have access to data which could confirm these figures, so the reader should exercise caution in interpreting project monitoring data from DIVAGRO. However, the team visited a number of DIVAGRO-assisted projects and the findings from these visits are reported below.

One exporter of ornamental plants reported that 90 percent of approximately 80 full-time, permanent employees were women. In general, they were spouses of nearby coffee plantation workers who provided a much-needed second income, which was actually about 50 percent larger than their husband's minimum wage income. These women were considered skilled workers who would perform each of the tasks required at the farm, including cutting, classification, packing, and weeding ornamental plants. We were told that there was little turnover among these employees. In addition, approximately 150 other employees were hired during peak labor periods for tasks such as weeding which could be done by unskilled workers. When asked why women were such a large proportion of the work force, the manager responded that he found that women were more conscientious than men in working with the delicate ornamental plants.

The team also visited two production facilities for shrimp larvae. These were heavily male operations and each factory employed only one female employee.

A company exporting frozen vegetables reported that approximately 70 percent of food handlers in its plant are women, while nearly all of its stevedores are men. The plant's quality assurance manager is a woman, as is the assistant manager for administration, as well are several supervisors.

The team was told by several of the businesses visited that women were actively sought to fill positions, particularly in the packaging and handling of final products.

FUSADES itself was included in the analysis of gender impact because of its unique character as both a promotor and as a participant in both the production and export of NTAEs. The "Quality Assurance Program" laboratory reported some 32 employees at the time of the team's visit. About two-thirds of its employees were women. The same proportion of women was found among both professional and non-professional employees. When asked whether project activities may have affected the way women and men are perceived, one female professional indicated that women had traditionally been prominent among laboratory staff because of the low pay scale, and that this was no exception.

SAR reports indicated that some 300 women were employed at La Colina, representing about 65% of the total. However, a brief review of payroll records for the first week of July 1995 indicated that there were 250 men (78%) and 70 women (22%) among the 320 workers employed by the farm. All but two of the women were identified as either packers or laborers. One of the remaining two worked in the kitchen and the other in cleaning.

From the field visits and interviews with executives of the various companies, it is clear that the client businesses producing NTAES and the implementing organization itself (FUSADES) provided numerous employment opportunities for women. In some cases these opportunities were lost when the firms themselves failed.

DIVAGRO has not made special efforts to "target" female beneficiaries. Nevertheless, it was clear that women were critical to the success of the firms producing ornamental plants, which accounted for a large part of FUSADES' portfolio. It seems clear that women do play an important part in FUSADES-assisted activities in El Salvador, although not as large a role as project reports suggest. While the jobs generated for women represent an important achievement, there is room for improvement in the types of jobs women hold. In nearly each case, they predominated at the lowest levels of the organization.

4. The Formula for Success

This Project provided only limited information which could be used to identify those factors that cause some investments to succeed and others to fail. The investment projects assisted by DIVAGRO can be divided into four categories and ranked in descending of success as follows:

- a) Ornamental plants
- b) Agro-processing
- c) Aquaculture (saltwater shrimp)
- d) Melon production

The production and export of ornamental plants is clearly the most successful area which DIVAGRO supported. This sub-group demonstrates the following characteristics:

- The companies are owned by entrepreneurs who are generally successful in other businesses;
- the companies are financially solid (only 20% requested financing);
- the companies tend to be small, self-contained production/export units (maximum of 50 mananas with the majority between 3-10 mananas), and
- they sell into a relatively stable, high value market.

The unique characteristics of the processing industries are as follows:

- Multiple owners or partners, with experienced owner-managers;
- their companies financially solid, with high bank credit rating;
- the major part of their raw materials was purchased from other producers, and
- they sell into a stable, low value market.

For the aquaculture activities the following held true:

- These projects were generally developed by individuals or by families with little or no experience in aquaculture;
- their companies were completely dependent on project financing;
- final products were sold into fluctuating, developing markets, and
- the investors relied heavily on technical assistance for project design and implementation.

Finally, the melon deals can be described as follows:

- These projects had many different modes of ownership and participation, although most participants had previous experience in melon production and export;
- the entrepreneurs were dependent on project financing for both operating and investment capital;
- market prices were erratic and uncertain; and
- the shippers exported a both their own products and those purchased from outsiders.

The experience gained from the investments in non-traditional agricultural products confirms the following elements for success:

- a) Competent management and technical expertise;
- b) the ability to produce reasonably high yields of export-quality product;
- c) favorable market conditions, and
- d) adequate financial support.

The failed investment projects experienced one or more of the following difficulties:

- a) Poor market conditions, (low prices and fluctuating demand);
- b) inadequate financial support, in many cases due to the inexperience and ineptitude of FUSADES/FIDEX in financing development activities, and
- c) inadequate financial reserves (Agricultural investments are often risky and the balance sheet must be viewed in the medium and long run, as long as management and markets are judged to be sound).

C. PROJECT MANAGEMENT

DIVAGRO's approach to the development of the NTAE sector focused primarily on the agroindustrial phase of the production/marketing chain, with emphasis on crop post-harvest handling or processing operations. Preference was given to self-contained operations such as the production and export of ornamental plants or shrimp larvae, where the producing company also exported its own products, and to certain processing operations where the factory controlled an

amount of production sufficient to ensure a base level of exports, which often was supplemented by outside purchases. In general, DIVAGRO did not work to create linkages between processors or exporters with contract growers.

DIVAGRO's program fully placed responsibility for success squarely on the agribusiness entrepreneur. The process of establishing a new enterprise was the following:

- a) An individual or company expressed an interest in a production and export activity that was eligible for assistance under Project guidelines.
- b) If the applicant did not have a feasibility plan for his project, one was elaborated by staff technicians or contracted by outside consultants in collaboration with the entrepreneur.
- c) DIVAGRO provided technical assistance and training to the applicant in his field of endeavor.
- d) Loans were provided to approved applicants.
- e) The applicant's project was monitored by a DIVAGRO technician who, depending on the project and the technician, also provided technical assistance.
- f) Modifications to the project were made at the discretion of the owner.
- g) DIVAGRO provided services for locating markets and buyers, and assistance in export documentation.

The success of the FUSADES approach was dependent on the selection of capable and responsible entrepreneurs, who identified viable projects, who were financially secure, and who had gained considerable business and management experience, albeit in different industries. Projects ran into trouble where the entrepreneur had inadequate technical skills, when poor harvests and/or prices caused heavy losses, and in a few cases, when the individuals involved were dishonest.

DIVAGRO did not provide comprehensive technical assistance to the assisted projects, and "hand holding" was minimal. Neither did DIVAGRO create institutions, nor mechanisms to provide on-going assistance to producers and exporters of NTAE crops, for which DIVAGRO had the mandate and responsibility to promote and develop.

D. WHY GREATER IMPACT WAS NOT ACHIEVED

The DIVAGRO model is a valid one and could well have played an important role in the development of NTAEs, but in spite of the resources at its command, its high caliber of personnel and its mandate to develop the sector, it failed to do so. In light of the economic upheaval that resulted from ten years of war, FUSADES' strategy of looking to the entrepreneurial class for stability, expertise and resources was eminently reasonable. Certainly, this group was needed to make its contribution to recovery.

FUSADES directors and key administrators interviewed by the evaluation team held similar views with regard to the project's focus and mission and were unanimous in their recognition of the poor results obtained, and the reasons for the lack of success.

The Agribusiness Development Project was essentially a domestic investment promotion activity focused on the rural sector. Its targeted population was private businessmen, and present and past agribusiness operators. FUSADES' Project managers believed that the development of agroindustry was key to the development of an NTAE sector, and that private operators experienced in agribusiness would be the driving force behind agroindustrial development. However, given the business environment prevailing in El Salvador at that time, especially in the rural sector, private operators were reluctant to invest in agriculture.

There were a number of reasons why there was not greater interest in agribusiness investments:

- a) The lack of personal security in rural areas.
- b) The uncertain investment climate which prevailed at the time.
- c) The uncertainty of private land ownership under Phase III of the Agrarian Reform Program.
- d) The best agricultural lands were held by the Agrarian Reform cooperatives.
- e) The absence of government policies encouraging investment in non-traditional agriculture.

An additional factor contributing to the general decline in agriculture at the time was that within the cooperatives themselves, the lack of financial resources and the limited management capacity of its members constrained them from fully exploiting their land.

The dilemma faced by DIVAGRO in implementing the Project was that the players with financial resources and entrepreneurship generally would not invest in NTAE development, while those who controlled the land could not invest, due to their inherent weakness and limited resources.

The team believes that this was a difficult, but not an impossible situation. It called for DIVAGRO to look to innovative solutions, some of which would have required it to ignore the general hostility of FUSADES' members toward agrarian reform and to synthesize the reality of agricultural production by rural cooperatives into a viable economic program. However, DIVAGRO failed to act to overcome this dilemma. It spent a considerable amount of money and lost seven years' of opportunity in its attempts to promote agricultural investments to a reluctant constituency.

Another deficiency in Project implementation was that DIVAGRO never developed a plan which would enable it to make the transition from an NTAE/agribusiness project to an NTAE/agribusiness program. It did not identify the intended beneficiaries of technology transfer, thus it did not develop technology appropriate to the new productive sector; nor did it develop a sustainable methodology for technology transfer that could survive beyond the PACD.

What is the legacy of the Agribusiness Development Project after seven years of effort and thirty-three million dollars in expenditures?

- FUSADES has a showcase farm which seems to be well positioned in the specialty pineapple market, which produces and exports small amounts of other fresh products and has a foothold in the local quality vegetable market.
- There is a small, healthy export industry involving ornamental plants, two reasonably secure agro-processors and two laboratories producing and exporting shrimp larvae.
- A quality assurance laboratory is now operating that can make an important contribution to NTAEs through its tissue culture operation. This will require an innovative approach for market identification, and is likely to require a long term effort to ensure success.
- An NTAE market information service is presently available. However, it can be effective only with increased demand for its services. This will depend on relatively sophisticated clients, and/or significant input from FUSADES personnel to guide the commonplace user.

What did the Agribusiness Development Project not leave behind?

- Functioning institutions or mechanisms to provide continued support to the NTAE sector.

E. SUSTAINABILITY OF PROJECT BENEFITS

The sustainability of the NTAE program must be analyzed from three points of view: a) The sustainability of FUSADES as an institution, since policy dialog, economic analysis and market information will continue to be carried out by the parent organization, b) the sustainability of DIVAGRO as the agricultural diversification arm of FUSADES and c) the sustainability of DIVAGRO-assisted projects and enterprises.

1. FUSADES

As recommended by the mid-term evaluation, over the past two years FUSADES has taken a serious look at different means to ensure the sustainability of its work. In late 1993, the foundation hired the InterAmericas Consulting Group of Miami, Florida to help it develop a self-sufficiency plan. After an intensive process of analysis FUSADES redefined and reconfirmed its mission and goals, identified program areas consistent with those goals, identified projects suitable for the various program areas, and defined the organization's role in each project. The size and scope of the organization were defined in light of its mission and goals, and projections were made of the amount of funds that would be required to support the organization.

The financial projections indicated that FUSADES could register a \$500,000 deficit in 1995, which was expected to grow progressively larger. It was concluded that and that a cost reduction strategy was necessary, and that FUSADES' self-sufficiency depended on its ability to recover costs by charging fees for commercial services. The foundation's staff was reduced from 291 people at the end of 1993, to the present level of 249 employees. FUSADES' President recently confirmed that the foundation is now financially self-sufficient and is currently operating at a positive cash flow. An important part of FUSADES' income comes from interest earned from a Bahamian trust of approximately \$20.0 million. The trust was capitalized with funds from the credit components of the USAID Water Management, Agribusiness Development and Industrial Stabilization and Recovery projects. Interest earned from trust and loan balances provides a reasonably secure income which the foundation uses to cover part of its operating costs. Other income is derived from service fees and member contributions.

2. DIVAGRO

As recommended by the mid-term evaluation, DIVAGRO has created a commercial agricultural enterprise which is expected to provide financial self-sufficiency and to act as a "development nucleus" by demonstrating commercial farming practices. La Colina ostensibly will be sold to private investors after the operation proves viable. DIVAGRO developed the La Colina farm by purchasing 350 m² of land and consolidating all material and equipment from the other demonstration farms. Project funds were used to finance on-farm infrastructure.

DIVAGRO's financial self-sufficiency is riding on the success or failure of La Colina, although its likelihood of success appears high. The farm is well managed by an expatriate pineapple technician, has apparently reached financial break-even and is debt-free. As an agro-enterprise La Colina seems to be in good financial health, but its role as a development mechanism has been abandoned.

3. DIVAGRO-Assisted Projects and Enterprises

The modus operandi of DIVAGRO was "laissez-faire". The surviving enterprises are generally sound and their sustainability is a function of the hazards of business rather than any fatal, internal flaw. Of fifty NTAE projects supported by DIVAGRO, a total of thirty-six continue to operate and are considered sustainable.

4. FUSADES' support to future NTAE development

FUSADES will most likely support NTAE development in the future through the activities of DEES, its Department of Economic and Social Studies. This Department promotes trade and economic policies which favor exports, and is presently developing a "position paper" on recommended policies for agricultural development in El Salvador. In addition, PRIDEX, the commercial information center, will be able to provide general market information and market intelligence on foreign NTAE markets. The agribusiness loan portfolio, currently administered by the Banco Salvadoreño, will also be available to fund agricultural and agribusiness projects oriented to export markets. However, additional agribusiness loans which may be made by the custodial commercial bank will surely become more "commercial" and less "developmental". A developmental loan facility for NTAEs no longer exists in El Salvador.

DIVAGRO has evolved into a commercial farming operation whose future role is expected to be almost entirely profit oriented, and its activities in NTAE development will likely be minimal. With La Colina fully operational, most of the DIVAGRO staff is employed at the farm, with many others supporting the operation from DIVAGRO's office in San Salvador. Extension services and technical assistance to NTAE producers are presently carried out by two DIVAGRO agronomists with limited experience, but with some training in the production of ornamental plants and vegetable crops. Conceivably, DIVAGRO's minimal activity in extension and TA may be eliminated entirely if the organization runs into economic difficulty.

III. CONCLUSIONS AND LESSONS LEARNED

A. CONCLUSIONS

- a) Based on DIVAGRO's quarterly reports, the Project exceeded the objectives for job creation and the number of hectares of NTAEs grown. However, it was not clear in project documents if the desired number of hectares was continuous, sustained production

or the cumulative total amount over a seven year LOP. Annual foreign exchange earnings from NTAEs in 1994 were only 17% of the annual objective for NTAE exports, and earnings from aquaculture exports were only 52% of the Project objective for the same year. DIVAGRO did not monitor annual foreign exchange savings which resulted from the local sale of un-exported NTAE products. The value of the FIDEX loans disbursed under this Project amounted to 55% of the original objective.

b) While some economic benefits were derived from the Agribusiness Development Project, these benefits were not broad-based, as currently required by USAID Strategic Objective No. 2. Over the life of the Project, some thirty-six sustainable NTAE projects were developed with DIVAGRO's assistance. None of these projects was initiated directly with small farmers or cooperatives, although melon exporters and the food processing plants assisted by DIVAGRO receive considerable amounts of product from those sources. While linkage with small farmers was not an explicit requirement of the Project, this omission is inconsistent with current USAID strategic objectives.

c) DIVAGRO did not establish an on-going program for the continued development of NTAEs. The successful enterprises which resulted from the Project have a modest impact on income, employment and foreign exchange earnings but they hardly justify seven years of effort and an investment of \$33 million.

d) The DIVAGRO "model", or program for NTAE sector development which supported the private sector in all aspects of non-traditional crop production, post-harvest handling, processing and marketing was valid. However, when it realized the agribusiness environment prevailing in El Salvador at that time was not conducive to implementing its program, DIVAGRO lacked the initiative or will to adapt it to the prevailing conditions.

e) The FUSADES team responsible for the FIDEX lending mechanism was generally inexperienced in agribusiness lending. The organization's performance in financing NTAE development investments was grossly ineffective. Additionally, DIVAGRO could not or would not intervene in the interest of supporting flagging investments.

f) While the ornamental horticulture industry was well suited to FUSADES' strategy for NTAE development, its potential is limited. On the other hand, large-scale agroindustry like the Del Tropic freezing plant provided a model that combined the entrepreneurial focus of FUSADES with the land and productive capacity of the Agrarian Reform cooperatives. This option was not pursued by DIVAGRO.

g) FUSADES disagreed with two important USAID-initiated policies which constrained Project implementation, but did not vigorously attempt to change either of them. These were the restriction on non-traditional crop production for local markets, and the requirement that DIVAGRO develop an aquaculture industry based on cultivated shrimp.

h) La Colina Farm is a FUSADES-owned commercial enterprise whose principal function is to generate income to support the institution. DIVAGRO's development function has been superseded by La Colina's profit-making activity.

B. LESSONS LEARNED

Since the Project has ended it would be superfluous to make recommendations, thus a look at lessons learned:

- a) The implementing organization should have the flexibility to modify its strategy for carrying out a project, or the project should be redesigned when unalterable obstacles make it impossible to implement it as originally designed.
- b) There is no substitute for effective USAID project monitoring. Even under the Cooperative Agreement mode of implementation, an involved project officer is a valuable input into the process.
- c) USAID and/or the implementing organization should be prepared to either terminate or make wholesale revisions to projects which cannot be implemented as designed. FUSADES' senior managers were unanimous in their observation that the NTAE program carried out was not viable under the civil war conditions and political instability of the 1980s and the early 1990s. Why, then, did the Project continue?

TABLE 1 **AGRIBUSINESS DEVELOPMENT PROJECT**
COMPARISON OF PLANNED AND ACTUAL
ACCOMPLISHMENT OF PROJECT OBJECTIVES

| ITEM | PLANNED PERFORMANCE | ACTUAL PERFORMANCE ¹ | COMPARISON (%) |
|--|---|------------------------------------|----------------|
| Full-time equivalent jobs created | 12,600 | 17,696 (F) 9,650 (M) | 217% |
| Hectares of NTAEs | 23,000 | 29,106 | 126% |
| Annual foreign exchange earnings | \$49,000,000 | \$8,300,000 (Avg. 92-94) | 17% |
| Annual foreign exchange savings | \$12,000,000 | Not Monitored | NA |
| Annual aquaculture exports | \$3,000,000 | \$1,575,000 (in 1993/94) | 53% |
| NTAE crops produced and exported | 15 | 20 | 133% |
| New products and technology | 30 | 38 | 127% |
| Foreign investment promoted by DIVAGRO | 12 | 14 | 117% |
| No. of pest control programs established | 1 | 1 | 100% |
| No. of market MI developed | 1 | 1 | 100% |
| Total FIDEX loans disbursed (Project 519-0327) | \$10,000,000 (Reduced to \$5.6 million) | \$5,547,584 | 55% |
| FIDEX loans disbursed to aquaculture | \$4,000,000 | \$1,812,200 (seriously in arrears) | 45% |
| Extension to agribusinesses | 40 | 150 | 375% |
| Extension to cooperatives | 20 | 175 | 875% |
| Extension to farm families | 11,000 | 9,680 | 88% |

¹The following observations were made by the USAID/El Salvador Gender Specialist on the data presented in this table: "The employment data provided by Divagro raises several questions for me. First, more than twice as many "full-time equivalent" jobs were created as were planned. It is unclear whether this difference was due to inaccurate projections or some other factor since the land dedicated to NTAE production is only 20% larger than was initially projected. If the increased labor demands are due to intensification of production, then this should be discussed in the report.

From my perspective, however, an even more important issue is the amount of employment that it is estimated was generated for women, i.e., 64%. Although it is unquestionable that women predominate in post-harvest stages of NTAE including processing and packaging, and for the harvesting of select NTAE products, for many agricultural products these stages account for somewhere between a third and a quarter of the total labor input. The percentage is higher for products like coffee and ornamental plants, but considerably lower for other products like cantaloupe. Hence, unless women predominate as field laborers as well, it is highly unlikely that the cited proportion of female employment could be achieved. The report needs to provide substantiation for these claims.

My concern is that the reported amount of employment for women generated by NTAE is inaccurate and unrealistic, distorts future projections, and could not be achieved in the agricultural sector with the possible exception of projects dedicated to work with ornamentals, flowers, and plants."

TABLE 2

AGRIBUSINESS DEVELOPMENT PROJECT

COMPARISON OF PLANNED AND ACTUAL EXPENDITURES

(\$000)

| ITEM | USAID | | HOST COUNTRY | | TOTAL | |
|---|--------|---------------|--------------|---------------|--------|--------|
| | PLAN | ACTUAL (1) | PLAN | ACTUAL (2) | PLAN | ACTUAL |
| ASSISTANCE TO NTAE PROJECTS | | | | | | |
| T/A and Studies | 5,963 | 7,096 | 2,000 | 731 | 7,963 | 7,827 |
| Training | 2,337 | 1,058 | 900 | | 3,237 | 1,058 |
| Credit Line | 10,000 | 5,600 | 4,500 | 7,866 | 14,500 | 13,466 |
| SUBTOTAL | 18,300 | 13,754 | 7,400 | 8,597 | 25,700 | 22,351 |
| INSTITUTIONAL SUPPORT | | | | | | |
| Operating Support | 12,850 | 13,918 | 3,500 | 1,287 | 16,350 | 15,205 |
| Buildings and Equipment | 2,000 | 2,832 | 100 | 521 | 2,100 | 3,353 |
| Purchase Land; Infrastructure; La Colina Initial Expenses | | | | 5,629 | | 5,629 |
| Evaluations and Audits | 400 | 179 | | | 400 | 179 |
| Overhead; Program Management | | 2,316 | | | | 2,316 |
| Contingency | 850 | 1 | | | 850 | 1 |
| SUBTOTAL | 14,700 | 19,246 | 3,600 | 7,437 | 18,300 | 26,683 |
| TOTAL PROJECT | 33,000 | 33,000 | 11,000 | 16,034 | 44,000 | 49,034 |

(1) Amounts obligated through June 30, 1995

(2) Information reported by DIVAGRO.

Note: DIVAGRO converted local currency expenditures into U.S. \$ by using an average exchange rate U.S.\$1.00 = SC5.00

TABLE 3 AGRIBUSINESS DEVELOPMENT PROJECT**LIST OF AGRIBUSINESS PROJECTS SUPPORTED BY DIVAGRO**

| NAME OF PROJECT | LOCATION | PRODUCT OR INDUSTRY | TYPE OF ASSISTANCE | PRESENT STATUS |
|----------------------------|---|---------------------|--------------------|----------------|
| Cerro de Flores | Ataco, Ahachapan | Ornamental plants | FIDEX | Expanding |
| Exotica Farms | Atecozol, Sonsonate | Ornamental plants | FIDEX | Functioning |
| Analex | Corral Blanco, Zapotitan, La Libertad | Ornamental plants | FIDEX | Expanding |
| Riveras Tropicales | Fca. El Canelo, Los Naranjos, Sonsonate | Ornamental plants | FIDEX | Expanding |
| El Salvador Protea Farms | Volcan San Salvador, San Salvador | Ornamental plants | TA | Functioning |
| CAPOSA | Sonsonate | Ornamental plants | TA | Expanding |
| Vivero Xochicali | Zapotitan | Ornamental plants | TA | Expanding |
| Ornamentals de El Salvador | Carretera a Frontera de Guatemala, Ahuachapan | Ornamental plants | FIDEX | Reduced Prod. |
| CAFECOYO | Ateos, La Libertad | Ornamental plants | TA | Expanding |
| Granja Solis | Carretera a Acajutla, Sonsonate | Ornamental plants | TA | Functioning |
| EXPORTAGRO | Santa Ana | Ornamental plants | TA | Not operat |
| Vivero Sta. Ma. | Caluco | Ornamental plants | TA | Functioning |
| Canizales | Los Naranjos | Ornamental plants | TA | Functioning |
| Follajes el Sauce | Metapan | Ornamental plants | TA | Expanding |
| Finca el Jordan | Coatepeque, Santa Ana | Ornamental plants | TA | Expanding |
| COEX | Hda. coyuta, Candelaria la Frontera | Ornamental plants | TA | Expanding |
| Cristiani Burkard | Fca. el Carmen, San Vicente | Ornamental plants | TA | Expanding |
| La Colina | San Juan Chiquito, Santa Ana | Ornamental plants | TA | Expanding |
| Baldochi-Duenas | Valle de Ormoa, Chalchuapa, Santa Ana | Ornamental plants | TA | Expanding |
| Vivero el 98 | N/A | Ornamental plants | TA | Functioning |
| Enzo Giammtei | San Julian, Sonsonate | Ornamental plants | TA | Functioning |
| La Selva Tropical | Camino a Chalchuapa, Santa Ana | Ornamental plants | TA | Functioning |
| Vivero los Ejidos | Entre Ataco y Apaneca | Ornamental plants | TA | Functioning |
| Flores y Follajes | San Miguel | Ornamental plants | TA | Functioning |
| El Salvador Fresh | Cara Sucia, Ahuachapan | Melons | TA | Decreasing |
| Agroproductores | Rosario del la Paz, la Paz | Watermelon | TA | Expanding |
| El Rico Melones | Hda. Los Tihuilotes, Usulután | Melon | TA | Closed |
| Casvel | San Luis Talpa, La Paz | Melon | TA | Closed |
| Frutas S.A. | Cara Sucia, Ahuachapan | Melon | TA | Closed |
| La Cosecha | Coop. Sta. Rita, Comalapa, La Paz | Melon | TA | Closed |
| Mauricio Castillo | N/A | Malanga | TA | Closed |
| FRUVEX | Cara Sucia, Ahuachapan | Melon | FIDEX | Functioning |
| MELOPAC | Cara Sucia, Ahuachapan | Melon | FIDEX | Closed |
| CAPECA | Hda. Nancuchiname, Usulután | Melon | FIDEX | Closed |
| ENSALVA | Comalapa, La Paz | Melon | FIDEX | Closed |

| NAME OF PROJECT | LOCATION | PRODUCT OR INDUSTRY | TYPE OF ASSISTANCE | PRESENT STATUS |
|------------------|------------------------|---------------------|--------------------|----------------|
| MACONDO | Comalapa, La Paz | Melon | FIDEX | Closed |
| Agricola Samayoa | Sonsonate | Processing Marigold | FIDEX | Functioning |
| AGROTEC | La Libertad, La Paz | Loofa | FIDEX | Functioning |
| Quality Foods | Zapotitan, La Libertad | Frozen Foods | FIDEX | Closed |
| Del Tropic Foods | Ateos, La Libertad | Frozen Foods | FIDEX | Expanding |
| Bon Appetite | Ateos, La Libertad | Processed Foods | FIDEX | Expanding |
| Agroconsa | Zapotitan, La Libertad | Sesame | TA | Functioning |
| La Portada | Metepan, Santa Ana | Broom Sorg. | TA | Functioning |
| ALDEMASA FOODS | Santa Ana | Processed Foods | TA | Functioning |
| Las Delicias | Ahuachapan | Shrimp | FIDEX | Closed |
| Oceanica | N/D | Shrimp | FIDEX | Funct. |
| PESCANOVA | Libertad | Shrimp | FIDEX | Funct. |
| Diadema | Santa Ana | Processed Foods | TA | Functioning |
| Banana Tropic | N/D | Bananas | FIDEX | Functioning |
| INGAPO | N/D | Plantains | FIDEX | Functioning |

Source: DIVAGRO

TABLE 4

**AGRIBUSINESS DEVELOPMENT PROJECT
DIVAGRO/FIDEX (519-0327) LOAN PORTFOLIO**

(\$000)

| CLIENT | PRODUCT | NO. OF LOANS | AMOUNT APPROVED | AMOUNT DISBURSED | STATUS |
|-------------------|--------------------|--------------|-----------------|------------------|--------------------|
| Las Delicias | Shrimp | 4 | 845.6 | 281.3 | Canceled |
| Riviera Trop. | Ornamentals | 1 | 35.2 | 35.2 | Paid |
| Soc. Agr. Samayoa | Processed Marigold | 14 | 811.8 | 811.8 | Current |
| Oceanica | Shrimp | 6 | 730.9 | 730.9 | Arrears |
| INGAPO | Plantain | 2 | 88.5 | 88.5 | Paid |
| CASVEL | Melons | 1 | 6.7 | 6.7 | Paid |
| Agroexport ANALEX | Ornamentals | 2 | 197.5 | 197.5 | Refinanced Current |
| CIMMARON | Ornamentals | 1 | 175.0 | 175.0 | Paid |
| MACONDO | Melons | 1 | 119.5 | 119.5 | Paid |
| Topsy | Ice Cream | 2 | 1,300.0 | 1,300.0 | Arrears |
| PESCANOVA | Shrimp | 3 | 800.0 | 800.0 | Current |
| Pacif. Exp. | Melons | 1 | 50.0 | 50.0 | Arrears |
| Banana Tropic | Bananas | 1 | 798.3 | 798.3 | Refinanced Current |
| Ornamentals | Ornamental plants | 2 | 199.0 | 199.0 | Refinanced Arrears |
| Salv. Fresh | Melons | 1 | 50.0 | 50.0 | Current |
| Nelly Avilez | Ornamentals | 1 | 80.0 | 80.0 | Current |
| TOTALS | | 43 | 6,288.00 | 5,723.70 | |

Note: Total disbursements include refinancing

APPENDIX

RESPONSE TO THE MID-TERM EVALUATION RECOMMENDATIONS

In 1994 FUSADES instituted a dramatic change in its strategy and structure of DIVAGRO. The central focus of the new strategy was a consolidation of activities into its commercial/demonstration farm, *La Colina*. In the face of the termination of the USAID project that had funded 80% of its operations over the previous four years, the principal rationale behind this retrenching was to achieve self-sufficiency for DIVAGRO and generate surplus income to support unprofitable activities of FUSADES. Toward that end DIVAGRO has,

1. eliminated its four experimental farms and associated costs operations;
2. reduced staff and personnel expenses; and,
3. dedicated the vast majority of its resources to productive, income-generating activities.

FUSADES and DIVAGRO officials maintain that *La Colina*, as a commercially viable agribusiness, doubles as a demonstration unit of production, processing and marketing technology for the crops grown on the farm (presently including pineapple, tomatoes, cucumbers, sweet corn and ornamentals). Yet, as a result of DIVAGRO adopting this strategy for its own long-run survival and institutional sustainability, it has reduced its capacity to provide services to present and potential clients. Basically all resources are dedicated to the commercial operation of *La Colina*, relegating promotion and support of NTAEs to a part-time concern of two extension agronomists.

This abrupt and far-reaching change in strategy places the recommendations of the mid-term evaluation in an entirely different light. In large part, many of the major findings and recommendation are now either inappropriate or irrelevant. The following review of those recommendations indicates their current status:

A. Organizational Issues

A.1.1. Recommendation: DIVAGRO adopt a matrix organization design, built around the market-driven model recommended by the evaluation team, in which technical assistance provides the needed link between the research and marketing.

A.1.2. Current Situation: The DIVAGRO diversified research activity on experimental farms has been abandoned, and all "research" is directed at those crops which *La Colina* hopes to produce commercially, either for the export and/or the local market. For those crops there is little initiative to disseminate technology to perspective producers and/or investors.

A.2.1. Recommendation: QAP needs a business plan which targets identified markets.

A.2.2. Current Situation: QAP is very concerned about finding a self-financing strategy. It has developed a business plan, but its major problem is a lack of demand for the services which supposedly would have been the basis for generating the laboratory's income. In 1994 it was projected that the laboratory would earn 3.2 million colones from chemical and biological analyses (2.9 million) and technical assistance and training (0.3 million); actual income generated from those sources totaled about 1.0 million colones. It has been projected that the QAP will be 50% self-sufficient in 1996 and 100% in 1997. There is little reason to believe that these goals will be reached, given the slow development of demand in the agricultural and agribusiness sectors, and the lack of legal requirements for quality control inspections and testing for export products.

In order to be able to reach the level of income projected from quality control inspections of exports laws or decrees must be formulated and instituted. The real questions that must be asked are:

1. Is an outside organization more appropriate for quality control than the industry itself (eg. producers and exporters)?
2. If so, is a bureaucracy like DIVAGRO the appropriate institution? The presence of the laboratory has little to do with visual pre-export inspection.
3. Is an inspection function of DIVAGRO proposed because of need on the part of the NTAE sector, or need to cover the laboratory's costs?

A promising area for future income generation is the tissue culture section of the laboratory in the production of cloned planting material. However, commercial success will be subject to identifying and promoting appropriate crops and selling first the idea of using cloned material, and then the product, to an as yet non-existent population of growers.

A.3.1. Recommendation: A DIVAGRO manager should spend 25% of his time in tracking results attributable to its activities.

A.3.2. Current Situation: A moot question given the concentration on *La Colina* activities, with little concern about outreach and off-farm impact.

A.4.1. Recommendation: DIVAGRO needs a sustainability plan.

A.4.2. Current Situation: FUSADES contracted a consulting firm from Miami to produce a sustainability plan. It is that plan which advocates the strategy of "polos de desarrollo", eg. La Colina, and three other primary areas of focus:

- agroindustry promotion and development
- training and technical assistance
- identification of alternative sources and mechanisms for financing sector development.

A.5.1. Recommendation: Committees should be set up to support primary and secondary priority activities and on an individual project basis.

A.5.2. Current Situation: Again, the primary, secondary and tertiary activities are all *La Colina*.

A.6.1. Recommendation: Eliminate data bases which have no relation to log frame objectives.

A.6.2. Current Situation: DIVAGRO has continued to improve its data base system, especially in the sense of consolidating its information program in PRIMEX, where shared personnel, equipment and software provide services to FUSADES' agricultural and industrial sector clients. Also, in light of the end of the USAID project, the requirements of the log frame are of little consequence. The data bases installed and maintained should respond to the needs of current and potential users.

B. Technology Generation and Transfer Issues

B.1.1. Recommendation: Establish crop-specific teams for technology generation and transfer, with an on-farm focus, complemented by a committee composed of agribusiness, farmers and DIVAGRO personnel.

B.1.2. Current Situation: The technology generation function as envisioned no longer exists. The overriding criteria are to add to *La Colina*'s productive base if necessary.

B.2.1. Recommendation: Institute farm-base research methodology, with participation of producers and/or agribusiness to share costs and reduce time for converting research results into client recommendations.

B.2.2. Current Situation: A strategy for farm-based research is inappropriate for the *La Colina* model. It is held by DIVAGRO that the activities on the farm are indeed demonstrations of commercial agriculture that can be adopted by interested farmers.

B.3.1. Recommendation: Increase cooperatives in client base to achieve a greater multiplier effect.

B.3.2. Current Situation: *La Colina* does not have a client base.

B.4.1. Recommendation: Calculate economic justification of plant propagation activities.

B.4.2. Current Situation: Plan propagation is one of the most promising activities for future income generation and specialty crop production. However, sufficient demand does not exist at present to achieve economies of scale and determine commercial pricing. In addition, the principal client of the laboratory's production is *La Colina*, which does not always pay as a commercial client would.

C. Marketing Issues

C.1.1. Recommendation: Limit DIVAGRO activities to priority crops identified.

C.1.2. Current Situation: This recommendation was overtaken by events once the *La Colina* model was adopted.

C.2.1. Recommendation: Establish limit to free T.A. and graduation to paid services.

C.2.2. Current Situation: The few clients who continue to use DIVAGRO technical assistance are charged for the services. But, technical assistance is not a full-time activity for DIVAGRO technicians and there is in reality little demand for it. The successful enterprises which were previously assisted by DIVAGRO have outgrown its technicians, and are much more capable in their narrow specialties than DIVAGRO. Among these ex-clients there is no incentive to pay for the level of services that DIVAGRO could offer.

C.3.1. Recommendation: That DIVAGRO take equity position in projects it identifies and implements.

C.3.2. Current Situation: DIVAGRO is no longer identifying and implementing projects.

C.4.1. Recommendation: Quality control services should be provided for all priority products as needed, on a cost recoverable basis.

C.4.2. Current Situation: There is little demand and less legal obligation for quality control of fresh and frozen agricultural exports. The canning plants are clients of the QAP and provide it with a large portion of the samples sent for analysis. The crops produced in Salvador are less demanding than those of the Guatemalan Highlands, and in-field controls practiced in the use of chemicals all but eliminated the need for frequent testing. In addition, clients in importing countries prefer that testing be done in that country. Unless the QAP can gain an international reputation for quality it is unlikely that it will be able to compete in importing countries.

C.5.1. Recommendation: Combine various data bases and information services, and improve the distribution in major market countries of crop-availability reports for Salvadoran products.

C.5.2. Current Situation: DIVAGRO has unified its information services in PRIDEX and is negotiating with various sources to improve the quality and applicability of its information service, including a more complete data base for agriculture.

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ANNEX II

**FINAL EVALUATION OF THE
RURAL ENTERPRISE DEVELOPMENT II PROJECT**

(NO. 519-0382)

(TECHNOSERVE)

ACRONYMS

| | |
|-------------|--|
| AID | Agency for International Development (U.S.) |
| CLUSA | Cooperative League of the U.S.A. |
| CONAPLAN | National Council for Economic Planning and Coordination |
| EEC | European Economic Community |
| FEDECOPADES | Federation of Agricultural Development Cooperatives |
| FUSADES | Salvadoran Foundation for Economic and Social Development |
| IFAD | International Fund for Agricultural Development |
| ISTI | The Salvadoran Agrarian Reform Institute |
| MZ | manzana = 0.7 ha |
| MNPLAN | Ministry of Planning |
| NGO | A private, non-profit, non-government organization |
| NTAE | Non-Traditional Agriculture Export Products |
| PROESA | Association of Salvadoran Producers and Entrepreneurs |
| PROXSAL | Salvadoran Producers and Exporters Organization |
| RED-II | The Rural Enterprise Development II Project (No. 519-0382) |
| SMEs | Small and medium enterprises |
| SARs | USAID's semi-annual reports |
| SRN | National Reconstruction Secretariat |
| TA | Technical assistance |
| UCAFES | Union of Coffee Cooperatives |
| UCS | Union of Salvadoran Small Farmers |
| UCRAPROBEX | Union of Coffee Producers, Processors and Exporters |
| USAID | United States Agency for International Development |

RURAL ENTERPRISE DEVELOPMENT II PROJECT EVALUATION REPORT

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EXECUTIVE SUMMARY

The Rural Enterprise Development II Project (No. 519-0382) began on June 28, 1990 with the signing of a Cooperative Agreement between USAID/El Salvador and TechnoServe, Inc. in the amount of \$6.5 million. This Agreement funded TechnoServe's rural cooperative development program for an additional four-year period and continued a relationship with USAID which began in 1978. The Project goal was to increase rural employment, income and production. Its purpose was to develop self-managed rural enterprises, and to assist institutions which serve these enterprises. When the Agreement was extended for an additional (fifth) year, the objectives of TechnoServe's program were expanded to cover the promotion of non-traditional agricultural export products (NTAEs). The final completion date of the Project was April 30, 1995.

Major conclusions and lessons learned from the Project are shown as follows. Since the Project has been completed, no recommendations are made.

MAJOR CONCLUSIONS

- TechnoServe has achieved or exceeded the performance targets established in the Cooperative Agreement. However, in view of the method used by TechnoServe to measure its performance, it is unclear how many *new* benefits were generated.
- The evaluation team attempted to analyze the impact of TechnoServe's efforts by tracking several indicators: sugar and coffee productivity, cooperative profits, cooperative net worth, cooperatives' managerial capacity, and employment for men and women. Results were inconclusive.
- TechnoServe's impact on the production and export of non-traditional crops was small, but the requirement was introduced during the fifth year of the project. Neither objectives nor performance indicators were established for NTAE crop production under the new requirement.
- TechnoServe has successfully assisted its clients to achieve a degree of organizational maturity which is an important element of sustainability. Primary benefits have resulted from the installation of management information, control, and planning systems, including basic accounting and budgetary control procedures. These basic management development efforts have paid off over the long term. For example, many of CLUSA's successful cooperatives currently producing and exporting non-traditional crops have been assisted by TechnoServe.
- The problem of frequent changes in cooperative leadership was a major obstacle to the successful completion of TechnoServe's program. TechnoServe's investments in time and energy for institutional strengthening of the cooperatives were often lost with the arrival

of new cooperative management. TechnoServe has had to dedicate too many of its resources to overcome this problem.

LESSONS LEARNED

Since the Project has ended it would be superfluous to make recommendations, thus a look at lessons learned:

- A project's goals, strategy, performance measures, and indicators should be consistent. TechnoServe stated that its goals were to increase rural employment, income and production through working with self-managed enterprises. Results cannot be measured because performance measures were designed to track process, not progress.
- The problem with working toward a standard set of broad goals is that there may be occasions in which these goals and the strategy for achieving them become inconsistent. TechnoServe's strategy for institutional development of client cooperatives was to help improve management systems and to control costs. Given this strategy, employment could be expected to decline, at least in the near term.
- When an environment that cannot be changed adversely affects progress, it may become necessary to change the strategy for Project implementation. This was particularly applicable to the problem of rotating cooperative leadership. The evaluation team heard repeatedly that frequent turnover of cooperative decision makers meant that the cooperatives either could not graduate, or otherwise would drop recommended policies once the board of directors changed. TechnoServe could have made stable management a pre-condition for providing services. Possible solutions might have been to insist, as part of the agreement with a cooperative, on their providing stable management for a fixed period of time, or to nominate a permanent steering committee to manage crop production.

RESPONSE TO REVIEWER'S COMMENTS:

The draft evaluation report was circulated to USAID Officials as well as to the management and staff at TechnoServe who were involved in implementing the Rural Enterprise Development Project. In most cases the final report was modified as appropriate to include the additional information provided by the reviewers. In other cases their comments are shown as footnotes to the relevant section of the text. In all cases the evaluation team has attempted to fairly reflect the comments of the reviewer in the final evaluation report.

TechnoServe's response to the major conclusions of the report are shown in the Attachment.

I INTRODUCTION

A. PROJECT BACKGROUND

The Rural Enterprise Development II Project (RED-II) (No. 519-0382) was initiated on June 28, 1990 with the signing of a Cooperative Agreement between USAID/El Salvador and TechnoServe, Inc. in the amount of \$6.5 million. This Agreement funded TechnoServe's rural cooperative development program for four additional years, and continued a relationship with USAID which began in 1978. The original completion date for the Project was May 31, 1994. On April 25, 1994 the Agreement was extended for another year at no additional cost to USAID, which moved the final completion date to April 30, 1995.

The Project goal was to increase rural employment, income and production. Its purpose was to develop self-managed enterprises, and to assist institutions which service these enterprises. Project activities were geared to strengthen cooperatives formed under El Salvador's Agrarian Reform programs as well as traditional cooperative enterprises in the rural sector. Over the life of the original four-year project, it was planned that TechnoServe would provide technical assistance and training to fifty cooperatives.

The overall objective of the Project was to convert a target group of agricultural cooperatives experiencing moderate to serious management and/or production problems into profitable self-sustained, self-managed enterprises.

Specific objectives to be accomplished were the following:

- a) To substantially improve the profitability of agricultural enterprises serving low income people by reorienting their activities or by the introduction of innovative business practices.
- b) To strengthen the management capabilities of the assisted organizations by providing comprehensive technical assistance.
- c) To further increase the earnings of rural enterprises by providing training programs to strengthen the second-level cooperative federations and other institutions serving these enterprises.
- d) To disseminate TechnoServe's knowledge of enterprise development to the benefitting organizations.
- e) To support other, related organizations working in rural enterprise development with technical assistance and training programs.

Targets were established for these objectives and expressed as expected Project outputs. A comparison of planned and actual accomplishments is shown in attached Tables 3 and 4.

At the time when the Agreement was extended for the final year, TechnoServe's program objectives were expanded to include the promotion of non-traditional agricultural export products (NTAEs). Three additional objectives were added:

- f) TechnoServe was required to emphasize NTAE production and the development of cooperative enterprises capable of their production.
- g) TechnoServe was required to coordinate NTAE promotion with other organizations such as the Salvadoran Foundation for Economic and Social Development (FUSADES) and the Cooperative League of the U.S.A. (CLUSA).
- h) TechnoServe was also required to collaborate with national and international organizations to develop an institutional structure for the sustained promotion of NTAEs.

Specific targets were not set for the additional requirements.

The original Cooperative Agreement specified counterpart funds amounting to almost \$2.2 million would be provided by TechnoServe. Of this amount, \$697,000 in cash was to be provided by donations from third parties and supplemented by service fees collected from client cooperatives. The remaining amount (\$1.5 million) was the value of in-kind services to be provided by the Project participants. Attached Table 1 compares the budgeted and actual expenditures for the entire Project.

1. TechnoServe

TechnoServe is a non-profit corporation based in Norwalk, Connecticut. The organization works with agricultural cooperatives, agro-processing companies, credit and loans associations, and technical and commercial service enterprises. TechnoServe attempts to improve the economic and social well being of low income people in developing countries through an integrated program of enterprise development, focused on productivity improvement, and increased jobs and income. Its programs are supported by contributions, and by fees earned from project management services.

The local TechnoServe office operates in El Salvador as a branch of TechnoServe International, and is legally constituted as an "International Mission". TechnoServe began its El Salvador operation in June, 1975 under a five-year contract with the National Council for Economic Planning and Coordination (CONAPLAN), the predecessor to the current Ministry of Planning (MIPLAN). Under the agreement with CONAPLAN, TechnoServe was obligated to develop between four and eight self-help producer organizations annually, dedicated to the production of

either agricultural crops, livestock, or handicrafts. The original program was financed jointly by CONAPLAN (50%) and TechnoServe (41%), with a small percentage of its costs offset by modest collections from the benefitting organizations (9%).

TechnoServe began working with USAID/El Salvador in 1978. The first grant agreement provided \$680,000 in funds for cooperative development, which enabled that the CONAPLAN program be expanded. Subsequent Cooperative Agreements carried the program forward, and ended when the current Project (519-0382) was finalized in April, 1995.

A summary of USAID grants under the different Cooperative Agreements is as follows:

USAID GRANTS TO TECHNOSERVE/EL SALVADOR
(\$000)

| <u>GRANT NO.</u> | <u>DURATION</u> | <u>PURPOSE/TITLE</u> | <u>USAID FUNDING</u> |
|------------------|-----------------|-----------------------------------|----------------------|
| 519-0197 | 09/78-09/82 | Rural Cooperative Development | 680 |
| 519-0286 | 10/82-04/86 | Rural Cooperative Development | 3,250 |
| 519-0312 | 05/86-05/90 | Rural Enterprise Development | 5,320 |
| 519-0382 | 06/90-04/95 | Rural Enterprise Development - II | 6,500 |
| TOTAL AMOUNT | | | 15,750 |

In addition to the programs carried out on behalf of USAID, TechnoServe has worked with a number of other international donor agencies, the Government of El Salvador, and numerous second-and-third-level cooperative associations. Activities are generally carried out in the field of rural enterprise development, and in some cases the funds collected from the collaborating organization have been used as counterpart funds for the USAID-sponsored projects.

TechnoServe's clients were those cooperatives created under both Phase I and Phase III of the agrarian reform program. Technical assistance and training was provided in farm management, accounting, production, marketing, and social development. Assisted cooperatives were producers of crops such as coffee, henequen, cattle, basic grains, vegetables, and other crops, with some potential to achieve the status of self management. The selected cooperatives were expected to fall within the Salvadoran banking system's four-tiered classification of credit worthiness as category "B" or "C"¹. Table 2 of the Attachment lists the cooperatives which received assistance from TechnoServe over the course of the Project.

¹The banking system's highest classification, category "A" applies to cooperatives with demonstrated ability to manage both production and investment credit. A category "B" cooperative is one with a problem in either production or management, while a "C" cooperative has problems in both areas. Category "D" cooperatives have serious problems and are eligible only for short-term production credit. Therefore, the nature of TechnoServe's services under the Cooperative Agreement is thus more comparable to that of a rehabilitation program than to a traditional technical assistance program.

B. PREVIOUS EVALUATIONS

1. Checchi Consulting Co. Evaluation

A mid-term evaluation was not carried out for this Project. The most recent external evaluation of TechnoServe's activity was done by Checchi Consulting Co. of Washington, D.C., in November, 1989. This was the final evaluation of the previous Rural Enterprise Development Project which ended in March, 1990.

Major conclusions and recommendations of the Checchi evaluation were as follows:

a. Conclusions

i) TechnoServe's highly participatory approach to project assistance and training was uniquely appropriate to its required task. Its services were critically needed if a significant portion of the cooperative structure developed under Phase I of the agrarian reform program was to be retained.

ii) Measurement of impact of the Project on production, employment and income was difficult because data were skewed as a result of a severe drought; the length of time for cooperatives in poor condition to show positive results, and because some crops take 2 - 5 years to reach production maturity.

iii) The cooperatives themselves were the greatest constraint to their conversion into self-managed and self-sustaining agricultural enterprises. Root causes were that the beneficiaries - the cooperative members - came from one of the most disadvantaged groups in society, with low levels of education and literacy. Due to a long history of exploitation, cooperative members had a deep suspicion of strangers and government officials. Compounding the problem was continuing uncertainties in the agrarian reform process, and the perceived tenuous nature of the benefits achieved.

iv) A high rate of turnover within the leadership structure of the cooperatives was detrimental to the institutionalization of effective management skills. Also, the rate of development of management skills was found to be much slower than the development of technical skills.

b. Recommendations

i) The Checchi evaluation team recommended that the project be extended for at least 8-10 more years, with consideration being given to a shared development effort with the banking industry, the Ministry of Agriculture, DIVAGRO, and a second level cooperative federation.

ii) The team also recommended that three special activities be carried out:

- A special impact study should be made to track trends in profitability and net worth of cooperatives with more than two years' assistance.
- TechnoServe should recommend to USAID desired changes in government regulations to mitigate against excessive turnover of cooperative officials.
- USAID and TechnoServe should investigate the possibility of generating a broad production and financial data base to facilitate monitoring of the cooperatives' progress.

2. TechnoServe's Internal Evaluation of Impact

In an effort to identify its strengths and weaknesses and improve its methodology, TechnoServe recently conducted an internal evaluation of its performance in implementing the Rural Enterprise Development II project. The evaluation, although somewhat subjective, presented an honest look at the functioning of the institution in implementing the Project and recognized many of the shortcomings of its techniques for measuring progress. The results of the evaluation was based largely on client interviews.

a. Assisted cooperatives

The primary conclusion of the internal evaluation was that its client cooperatives rated TechnoServe with highest marks in the areas of administration, financial management, accounting and production. These are completely consistent with this evaluation team's field observations. Positive feedback on TechnoServe's performance was received equally from cooperative members and directors, non-affiliated professionals and members of the NGOs with which TechnoServe has worked.

Customer satisfaction was high in most cases, and 88% of the cooperatives interviewed gave TechnoServe an excellent or very good rating. With regard to the main thrust of the TechnoServe message, administration, it is interesting to note that 90% of "graduated" cooperatives rated TechnoServe high on administrative systems as an area of major value, whereas 71% of those cooperatives which were still in the process of management training rated it as the most important area of assistance. In spite of this high rating for management training, TechnoServe observed that weak cooperative business administration is perhaps the major limitation to their developing into viable enterprises. The major criticism of the TechnoServe program was that its training program reached relatively few members of the cooperative; an important weakness that TechnoServe recognizes.

b. Assisted cooperative unions

TechnoServe has worked closely with a limited number of second level cooperative institutions. Among which the principal recipients of TechnoServe technical assistance were i) The Union of Production, Processing and Export Cooperatives (UCRAPROBEX), ii) The Union of Coffee Cooperatives (UCAFES), and iii) The Federation of Agricultural Development Cooperatives (FEDECOOPADES).

UCRAPROBEX and UCAFES: TechnoServe provided assistance in several areas during their formative years, including:

- i) Diagnostic analyses of strengths and weaknesses
- ii) Advisory services on and design of financial and accounting systems, and their computerization
- iii) Strategic development plans
- iv) Formulation of operating norms
- v) Financial/accounting feasibility studies for associated cooperatives

These institutions continue to maintain contact with TechnoServe and seek occasional technical assistance in its areas of expertise for specific analyses and studies.

In its self-evaluation, TechnoServe indicated that customer satisfaction was high, particularly in the area of administrative assistance. When asked in which area they would seek assistance from TechnoServe, all respondents indicated administration. However, it was noted that TechnoServe was not given the highest rating in the quality of its services nor its methodology. The principal suggestions for improvement in these areas were related more to presentation than to content and professional capacity, as indicated by the following examples of feedback received from these organizations:

- i) Training should be less theoretical and more practical.
- ii) Fewer documents should be required.
- iii) The language used in TechnoServe documents and presentations should be more pedestrian.

FEDECOOPADES: One of the team members conducted interviews with the Federation of Agricultural Development Cooperatives (FEDECOOPADES) which provided supplementary

information to the internal evaluation. This situation was unique in that FEDECOPADES requested that TechnoServe train the former's field technical advisors in TechnoServe's methodology of enterprise development, with the intention of applying it to the majority of its associated cooperatives. This request came after FEDECOOPADES spent thirteen years with little success attempting to improve the operations of its' 51 member cooperatives. An internal analysis of those thirteen years led FEDECOOPADES to conclude that their extension agents were not capable of managing an integrated assistance program including production assistance, administrative and organizational definition and social development.

The view of the FEDECOOPADES Director on the results of TechnoServe's interventions are summarized as follows:

- The concept of managing the cooperatives as a business has become instituted within the cooperatives themselves, and by the members on their individual plots.
- The cooperative members have decided to employ professional managers in order to separate the economic from the social functions of the cooperative and to maintain administrative continuity in the face of periodic changes in the membership of the board of directors, and in senior cooperative management.
- FEDECOOPADES has adopted the practice of contracting specialized advisors to work at the cooperative level, whose efforts are coordinated by an in-house technician in collaboration with the cooperative manager. This has enabled the Federation to reduce costs by greatly reducing its permanent staff, and to target technical assistance based on specific, identifiable needs.

FEDECOOPADES has instituted this practice in thirty of its fifty-one associated cooperatives and plans to expand it to the remainder when resources permit.

II. ANALYSIS

A. SUITABILITY OF PROJECT DESIGN AND IMPLEMENTATION STRATEGY

The Rural Enterprise Development II Project was planned to be a continuation of TechnoServe's cooperative development efforts in which its' standard "package" of technical assistance and training would be provided to fifty additional cooperatives. Fifteen cooperatives receiving services from TechnoServe at the close of the previous project made a smooth transition to the current project, with no discernable difference in the level of service provided. In its fifth and last year the Project became linked to the overall USAID strategy of promoting non-traditional agricultural exports from El Salvador. Semi-annual status reports reflected USAID's expectations for NTAE development, stating that "The Project places emphasis on production and enterprise

development of NTAEs among coops; coordinates on-going activities in the promotion of NTAEs with CLUSA and FUSADES, and collaborates with other institutions in the development of long term institutional structure to provide sustainable promotion of NTAEs". However, this Project was not originally designed for NTAE promotion, and the requirement was simply added to the ongoing activity as it was drawing to a close. Furthermore, no targets or performance indicators were established. Not surprisingly, TechnoServe played a fairly limited role in NTAE development, and collaboration with other projects and institutions promoting non-traditional agriculture was not substantial.

B. ACCOMPLISHMENT OF PROJECT GOALS AND OBJECTIVES

1. Quantitative Targets

The Cooperative Agreement between USAID and TechnoServe established quantitative global targets for the project and outlined qualitative goals for TechnoServe's technical assistance to cooperatives. The quantitative targets can be broken down into two categories:

Intermediate targets (*means*), and
Final targets (*ends*).

Intermediate targets measure the scope and magnitude of TechnoServe's efforts to help its client cooperatives reach their targets. Attached Tables 3 and 4 summarize the intermediate and final targets established in the Cooperative Agreement and the degree to which they were achieved. It is important to note that achieving intermediate targets does not indicate Project effectiveness and impact, but rather that planned activities were carried out.

In the case of the intermediate targets, it is rather straightforward as to whether or not the planned levels were reached (see attached Table 3). TechnoServe has presented via its quarterly and semi-annual reports, information which permits a comparative summary of proposed targets and the levels achieved during project implementation.

Final targets (see attached Table 4) relate to employment, income generation and cultivated area. Not only are the numbers difficult to interpret, but their significance is conditioned by the following TechnoServe definitions:

- i) Targeted levels of employment, income and area cultivated are equal to the sum of the initial levels encountered in the cooperative and **sustained over the life of the Project plus** the additional quantities **generated** through TechnoServe's interventions.
- ii) Employment and income figures are **cumulative** and represent a summation of yearly values over the life of the project. For example, a permanent job which already existed,

or which was created in the first year of the project and continued (and was therefore sustained) for the entire five-year Project was counted as 5 person-years of employment.

iii) The total cultivated area for which TechnoServe "takes credit" is the sum of the cultivated area on cooperatives that were **directly** assisted by TechnoServe through technical assistance contracts as well as those areas within its "sphere of influence". The latter corresponds to the area cultivated by member cooperatives of second-degree organizations which received assistance from TechnoServe, such as the Union of Coffee Producers, Processors and Exporters (UCRAPROBEX) and the Union of Coffee Cooperatives (UCAFES).

In the case of both the intermediate and final targets it is evident that TechnoServe has reached or exceeded the levels put forth in the Cooperative Agreement, given the above qualifying assumptions. Yet, there remains the question of how many *additional* benefits were generated and how well the recipient cooperatives were prepared as business enterprises to maintain their levels of production and income over the long run. TechnoServe's practice of combining initial and incremental figures for income and employment, and of using "direct" and "sphere of influence" areas cultivated as a surrogate for production makes it virtually impossible to judge the impact of TechnoServe's efforts.

2. Strengthening Client Cooperatives

The focus of the original Cooperative Agreement was on management development and did not include a mandate for TechnoServe to develop NTAEs. TechnoServe would evaluate the production options open to its client cooperatives, determine the best means for improving income and install an effective management system. In general, the cooperatives chose to stay with the traditionally dominant crops: sugar and coffee. The magnitude of production by TechnoServe-assisted cooperatives during the period 1990-1994 accounted for an average of 9.7% and 31.0% of El Salvador's production of sugar and coffee, respectively. Since both are primary export crops, particularly coffee, the importance of TechnoServe's efforts is obvious.

C. CALCULATIONS OF PROJECT IMPACT

In an attempt to extract meaningful data from the mix of initial and cumulative total values, the team selected five indicators which were used to calculate the incremental benefits of TechnoServe's interventions to a sample of cooperatives:

- Changes in production and crop yields of sugar and coffee
- Changes in cooperative profits
- Changes in cooperative net worth

- Measures of the cooperatives' managerial capacity
- Changes in employment for men and women

1. Changes in Production and Crop Yields of Sugar and Coffee

Additional production on TechnoServe-assisted farms could have resulted from either increases in the areas dedicated to a crop (or herd size in the case of milk production), improved productivity, or some combination of the two. While shifting land between crops and planting previously idle lands could reflect good farm management practices, it not evident that this was the case for the majority of assisted farms. In the aggregate, experience with the two principal crops produced on TechnoServe-assisted cooperatives demonstrates that a slight increase in area planted to sugar (12.7%) was offset by decreasing yields and that an increase in coffee output was gained through higher yields on essentially the same area. Attached Table 5 shows the changes in area, yields and production of these two crops on the cooperatives assisted by TechnoServe between 1990 and 1994.

An examination of some twenty-five "graduated" cooperatives with which TechnoServe had worked for two or more years showed mixed results for crop yields of the two selected crops. A comparison of sugar and coffee yields between a "base" year (1990/91) with the average results over the next three years (1991/2 - 1993/94) showed that for seventeen cooperatives which produced sugar during the period, five had increased yields, eight experienced decreases and two remained at the same level, with the end result that the weighted average change for the seventeen was essentially zero. A sample of fifteen coffee producing cooperatives showed that eight had increased yields, six registered decreased yields and one that displayed no change. The weighted average increase was 80 pounds per manzana which was a 27% improvement over the base year. This increase, however, could well have been the result of the exceptionally large 1992/93 harvest.

A similar picture is presented in attached Table 6, which compares sugar and coffee yields achieved by TechnoServe-assisted cooperatives with the national average yields for these two crops. While the production yields of TechnoServe's clients kept pace with national yields, the more important trends are that coffee productivity stagnated while sugar productivity decreased significantly. Unfortunately, and in fairness to TechnoServe, during the period of observation El Salvador suffered a significant drought and low coffee prices, both of which could account for much of the lackluster showing.

2. Changes in Cooperative Profits

TechnoServe's primary intervention in cooperative development was to improve management skills. This effort was complemented by production technical assistance for those crops grown by the cooperative. In general, the cooperatives did not change their production patterns as a

result of TecnoServe's interventions. Any change in the type of crops grown by the cooperative was based on an analysis of the farm enterprise, which seldom resulted in changes to cropping patterns. Only in a few notable cases was crop selection altered, such as the recommendation to abandon cotton production. The effectiveness of the "new" management skills of the participating cooperatives must be measured in light of this situation.

Within the limits of the quality of the data collected and the short period of observation, attached Table 7 presents a possible indication of the effects of better management. This compares profit levels in the 1989/90 base year with average profits achieved by twenty-five "graduated" cooperatives during the subsequent three-to-four year period. (A time period of either three or four years was selected for each cooperative in the sample, depending on the availability of data). It should be noted that many of the profit "increases" shown in Table 7 were in fact reduced losses, which also indicates a degree of success given the low initial level of entrepreneurial and management skills. As shown by Table 7, over half (52%) of the cooperatives showed substantially improved profitability over the three-to-four-year time period. Slightly more than one-fourth (28%) registered substantially lower profits compared to the base year, while one-fifth (20%) remained relatively unchanged.

3. Changes in Cooperative Net Worth

Another indicator of management effectiveness is change in the net worth. Attached Table 2 lists all sixty-five of TechnoServe's cooperative clients, and for those cases where information is available, tracks the changes in net worth from the time the client entered the program until the client left the program. Of twelve cooperatives for which data are available, eight cooperatives increased their net worth during their period of involvement, while four cooperatives registered a decline in net worth. It should be noted that many of the cooperatives that suffered large losses in net worth and/or significant decreases in profits during the period were heavily dependent on coffee production. Coffee prices registered historical lows during this period.

4. Meeting Production Goals

Another indicator of the impact of TechnoServe assistance on its' clients was their ability to meet their own production goals. As part of its management development methodology, TechnoServe would perform a thorough diagnosis of each cooperative which was the basis for a five-year operating plan, formulated jointly with the cooperative. Production and cost objectives were established in the plan for each crop or other production activity undertaken by the cooperative. Reaching the targets was dependent on the cooperative's willingness and ability to adopt both technical and management recommendations incorporated in the plan.

In almost all cases the targets were overstated in the five-year plans and were seldom reached in the period contemplated. Data were compiled for coffee, rice, and milk production for TechnoServe's entire program. The results are shown in attached Table 8. The table

demonstrate the difficulty that the cooperatives had in reaching the agreed-upon targets. In general a success rate of about 65% was achieved.

5. Employment Changes - Men and Women

Using data obtained from quarterly cooperative payroll reports, the team developed employment figures for 28 enterprises which were assisted by TechnoServe for at least 24 months. The first available payroll figures for each cooperative were compared with the latest available figures for that cooperative during the period January, 1990 - September, 1994. Payroll data were gathered systematically by TechnoServe for the period of time when the cooperative was an active client. After the cooperative "graduated", however, the tendency was to report this data for only one quarter per year. For this reason, as well as to offset seasonal changes in employment, only the figures taken from the same quarters were compared (e.g. first quarter of 1990 with the first quarter of 1994).

The results of this analysis are shown in attached Table 9. Employment declined by about one-third on the 28 cooperatives sampled, over nearly a four-year period. It is important to note, however, that this approach did not differentiate between permanent and temporary employment. It is possible that the reduction in overall employment may have been caused by a reduction in temporary employment and a greater reliance on permanent, better paid employees. Data were not available to confirm this temporary-permanent employment hypothesis, however.

Previous evaluations have noted that Agrarian Reform Phase I cooperatives often carried a significant amount of underemployed and redundant labor, which have adversely affected the financial health of the enterprises. The employment shifts we detected suggest that TechnoServe may have achieved some success in controlling labor costs. The bottom half of Table 9 suggests that management strategy may possibly play a role in the employment shifts. Those cooperatives which were considered to have achieved self-management status were much more likely to have reduced their employment than were those that had not achieved self-management status.

D. GENDER IMPACT

The project paper for the Rural Enterprise II TechnoServe project did not specifically identify women as being one of the targeted populations, other than to include equal opportunity among the criteria for enterprise selection. However the population targeted was low income populations and the means to assist them was primarily through strengthening cooperative enterprises. Clearly women figure prominently among the nation's lowest income populations, and are present in large numbers in the cooperative enterprises targeted. However, neither specific objectives nor targets according to gender were set for the Project.

With the exception of persons trained, project monitoring data as reported in the Semi-Annual Reports (SARS) were not dis-aggregated by gender. Data from SARs concerning training

activities indicate that approximately six percent of the 5,472 institutional trainees and 6,343 para-technicians trained were women.

Regardless of whether or not the project activities were designed to impact on women, it does seem clear that there were instances in which important impacts have been achieved in the way that women and men are perceived. In the case of a traditional cooperative from the non-agrarian reform sector which had received administrative, technical, and accounting assistance from TechnoServe, a woman who had received training in administration from TechnoServe eventually became the cooperative's administrator. In the view of the evaluation team member who visited the cooperative, she was the most effective administrator visited during the evaluation.

TechnoServe's approach to gender issues was to work toward providing equal participation for men and women in as many aspects of the cooperative enterprise as possible. This was reflected in an emphasis on increasing coffee processing, and in encouraging non-traditional agriculture, both being areas in which women play a large role. In their focus on improving cooperative administrative functions, TechnoServe urged the training and hiring of women. There were several cases of women accountants who were trained by TechnoServe. In the case of El Castaño cooperative, TechnoServe helped a predominantly women's cooperative develop into an agro-industrial enterprise. Finally, many of TechnoServe's field staff were women, providing both opportunities for professional enhancement and positive examples for cooperatives.

E. IMPACT ON THE ENVIRONMENT

The impact of the Rural Enterprise project on the environment has been neutral in most cases because the emphasis of TechnoServe was less on changing productive activities than on managing the farm enterprise. Nevertheless, TechnoServe has actively intervened in certain areas of production which had a positive effect on the environment. Courses in pesticide use and handling was one of the core topics of its training program, and when the cooperatives' production package included NTAEs, particular attention was paid to pesticide application standards.

The focus of TechnoServe's program on enterprise management gives particular attention to production economics. The use of economic criteria led TechnoServe to recommend changes in crop selection which benefitted the environment. For example, the economics of cotton production prompted TechnoServe to recommend that the crop be discontinued due to the large amounts of costly pesticides required for successful production. Livestock and sugar were often substituted for cotton which resulted in much improved conditions and a positive impact on the environment. In addition, when economically justified, TechnoServe supported the use of organic production systems.

F. IMPACT ON NTAE PRODUCTION

TechnoServe's approach was to examine the profitability of existing activities, and recommend changes where appropriate. Given this "rehabilitation" approach, it would be surprising to find an aggressive NTAEs promotional program. The addition of NTAEs to this Project came only during the last year, and did not appear to have a high priority. The team did visit some cooperatives where TechnoServe had assisted in the production of non-traditional agricultural crops. However, it was apparently the decision of the cooperative itself to grow the crops. TechnoServe helped them apply the same management tools and technical assistance to NTAE activities as they would have applied to any other venture. By the end of the project, TechnoServe reported that 2,381 hectares of non-traditional crops were grown by the assisted cooperatives, although it was not clear how much was actually being exported. There were 17 different products involved: baby corn, yucca, cucumber, papaya, coconut, cashew, peanuts, marigold, black-eyed peas, sesame, okra, papain, bananas, honeydew melon, shrimp, and fish. Neither was it clear whether these represented initial levels of production, or increases in production.

TechnoServe estimated that within the total cultivated area of the assisted cooperatives, some 20% of the producing area was dedicated to NTAE production.

G. SUSTAINABILITY OF PROJECT BENEFITS

The sustainability of benefits derived from the Project should be analyzed from three points of view: 1) The capability of TechnoServe/El Salvador to provide ongoing services to cooperatives without continued USAID support; 2) the financial viability of the cooperatives assisted by TechnoServe, and 3) the economic viability of technical assistance and training programs provided to rural cooperatives.

1. Sustainability of TechnoServe/El Salvador

While it was never contemplated in the Rural Enterprise Development II Project that TechnoServe would carry on beyond the end of the Project, the organization has developed a three-part strategy to ensure the continuity of its services: a) over the long term, the organization plans to create a trust fund which will cover the operating costs of a core staff organization; b) TechnoServe has trimmed overhead costs through staff reduction and is currently marketing its services as an experienced NGO capable of implementing development projects, and c) TechnoServe has sponsored the creation of a local NGO to ensure the continuity of cooperative development services in the event that TechnoServe should cease to function in El Salvador.

Trust fund to cover core operations: TechnoServe's general strategy for survival is to maintain a core staff which would not only ensure the permanence of the organization by marketing its services, but would also provide its institutional "memory". As new projects are generated by

the core staff, TechnoServe would contract for additional staff and consultants as needed to implement the new activity, who would be released upon completion of the work. TechnoServe estimates that a \$2 million trust fund would generate approximately \$250,000 per year, an amount sufficient to cover operating expenses for a core group of seven people. If an international donor cannot be found to help create the trust fund (TechnoServe submitted a request to USAID in November, 1994, for assistance to establish a \$2 million fund, but the proposal was not accepted), then TechnoServe hopes to create the fund over the long term by allocating a percentage of its service fees toward building the fund.

New projects: When the RED-II Project ended in April, 1995, TechnoServe reduced its staff to the minimum level needed to carry out its remaining projects. In the interim period, TechnoServe has managed to survive from project fees generated by its' two remaining projects, and by bridging funds from TechnoServe International. The level of support from the parent organization is reported to be around \$20,000 per month.

TechnoServe currently receives administrative fees from the National Reconstruction Secretariat (SRN) for implementing a project to provide training and credit to demobilized forces. The organization also receives service fees from the International Fund for Agricultural Development (IFAD) of Rome, Italy for administering a long-term cooperative development project..

TechnoServe is presently negotiating an agreement with USAID to implement a \$700,000 pilot project to help create water user's groups on government-owned irrigation schemes in Atiacoyo. If the two parties can reach an agreement, the new project will begin in September, 1995. Counterpart funds pledged by TechnoServe International in the amount of \$250,000 should cover most of TechnoServe/El Salvador's core operating costs until the project ends in early 1997. Additionally, TechnoServe is now preparing a proposal to the International Development Bank's Multilateral Investment Fund to fund an \$8 million project for irrigation assistance as an expansion of the USAID pilot project.

FUSADAR: In 1993, twelve TechnoServe managers and staff members created the Salvadoran Foundation for Rural Development (FUSADAR). The foundation is a private, non-profit NGO which specializes in training services, technical assistance to agriculture, and credit to small and medium enterprises (SMEs). FUSADAR is envisioned as an organization which will work closely with TechnoServe in a mutually supportive manner. While FUSADAR's services are complementary to those offered by TechnoServe, the two organizations have become limited competitors. For example, FUSADAR was awarded a technical assistance contract by the Secretary of National Reconstruction (SRN) to administer a small and medium enterprise (SME) credit program for ex-combatants upon the expiration of a similar program administered by TechnoServe. FUSADAR was awarded the contract because it provides similar services at lower cost than TechnoServe. Many former employees of TechnoServe are employed by FUSADAR, and its service fees are lower since FUSADAR carries no home-office overhead burden, as does TechnoServe.

The conclusion of the evaluation team after a review of TechnoServe's strategy for survival is that if the contract with USAID for irrigation services is successfully negotiated, the El Salvador organization will likely scrape by - at least, until early 1997. However, its long term outlook is tenuous at best, and its survival over the long run will likely depend on whether or not it can obtain a major service contract with an international organization. TechnoServe appears to have been caught off guard by the completion of the RED-II Project, and apparently had not developed a long-term strategy for survival before the Project ended.

2. Sustainability of Assisted Organizations

Structural barriers to sustainability: TechnoServe provides "Integral Assistance" to its clients, combining training with integrated assistance in the management, organization, accounting, marketing, production, and social areas. When asked to assess TechnoServe assistance, technical assistance was reported to be easily understood, accepted, and implemented. Care had been taken to see that technologies recommended were appropriate for the situation, and cost efficient as well. Much the same was said in the case of accounting systems. However, due to the problem of rotating administrative counsels, the investments made in management assistance were often lost with the arrival of new cooperative management.

TechnoServe has been confronting this structural problem for years, and has developed a strategy to address it. By focusing on training a mid-level cadre of potential leaders as para-technicians, it was anticipated that future leadership would emerge from this group, and thus would adhere to TechnoServe's recommended course of action. However, there was still great concern among the cooperatives that future leadership rotations could undo much of the progress achieved. A second TechnoServe strategy to deal with this issue was to focus on the membership base and educate the members on the responsibilities of cooperative membership. This is an activity several cooperatives mentioned as being particularly necessary, even after TechnoServe's services had ended. This is a problem without simple solutions, and TechnoServe has had to dedicate much of its resources to ensuring continuity in its reforms once the cooperative has graduated.

Net-worth analysis: Over the course of the RED-II Project TechnoServe provided support services to sixty-five rural cooperatives. In the Salvadoran context, the concept of "sustainability" of cooperatives is a matter of degree - not a precise measurement. The reasons are that current government policy protects even insolvent cooperatives, and this policy distortion is compounded by the legal and political impossibility of foreclosure and seizure of land and other assets of insolvent cooperatives. The result is that many insolvent cooperatives continue to operate in one way or another, some in name only.

If the same criterion for bankruptcy in the Salvadoran private sector is also applied to the cooperatives, then a good indicator of financial solvency and therefore sustainability can be derived. Negative net worth ("patrimonio") is the standard for the private sector. Attached Table 2 shows the net worth of the assisted organizations as reported on their last available financial

statement. In some cases data are available to compare the latest results with the value of reported net worth when the cooperative entered the TechnoServe program. Of the forty-six cooperatives for which information is available, a total of thirty-four (74%) show a positive net worth. Considering the remaining twelve cooperatives (26%) with negative net worth, seven of these (11%) have shown improvement in their financial situation since TechnoServe assistance began. This suggests that even setting aside the protection that the Salvadoran Government provides to the cooperatives, about three-fourths appear to be sustainable.

3. Sustainability of Technical Services

Services provided by TechnoServe under the RED-II Project were charged to the beneficiaries at a nominal level, amounting to about ten percent of actual cost. This was TechnoServe's policy toward all its clients - cooperatives and second-level organizations alike - who were project beneficiaries. All the cooperatives resisted even the nominal charges for services received. Reasons cited by TechnoServe for the unwillingness of the cooperatives to pay the full cost of services were the following:

- a) Many other organizations offered technical assistance to the cooperatives free of cost, including the Agrarian Reform Institute, ISTA; second-level federations such as the Union of Coffee Cooperatives (UCAFES) and the Union of Salvadoran Small Farmers (UCS), and even assistance provided under the USAID-funded NTAE Production and Marketing Project.
- b) Technical assistance is not perceived by the cooperatives to be as essential as other inputs such as seed, chemicals, and fertilizer for agricultural production. Even when the benefits of TA were abundantly clear, there was reluctance to pay anything greater than a nominal amount.
- c) Many cooperatives with the greatest need for TA (those with deficient management or production practices) are also the poorest cooperatives, and cannot afford to purchase technical services.

TechnoServe has continued working of its own accord with six cooperatives since the Cooperative Agreement ended on April 30, 1995. Because TechnoServe is bearing the full cost of this effort, the organization has increased its service charge to the maximum possible level. A price for TA which is at a level corresponding to approximately 30% of cost appears to be the "hard" resistance point beyond which the demand for services would disappear. Based on TechnoServe's recent experience, it is concluded that a program of integrated technical services to cooperatives is not sustainable on a commercial basis. This is a reasonable conclusion in that most of these services are "developmental" in nature, and are not commercially sustainable. However, "commercial" services (such as export assistance, or post-harvest handling) are recognized for their commercial value by the cooperatives, and are indeed sustainable.

TechnoServe's experience with second-level organizations was entirely different: TechnoServe has worked with a number of these organizations on programs funded by other agencies, whose policies with regard to subsidized services was different from USAID policy under the RED-II Project. In some cases, the fees charged to the beneficiary amounted to about 80% of actual costs. Furthermore, TechnoServe recently worked with UCRAPOBEX on new activities not related to the Rural Enterprise Development II Project, and charged a fee calculated to recover the full cost of its services.

The reason why second-level organizations appear more willing to pay is that many derive income from its members, often based on the amount of product exported. Secondly, the level of education, and appreciation of the benefits which can be derived from TA is higher for the decision makers of these organizations than most rank-and-file members of the cooperatives.

Based on TechnoServe's experience, it is concluded that TA can be provided to second-level associations at commercial rates. This might serve as a focal point in the future for TechnoServe's technical services.

H. EFFECTIVENESS OF PROJECT MONITORING AND MANAGEMENT

Over the course of the TechnoServe evaluation, the team visited seven "community based" cooperative enterprises and one institutional cooperative. In the course of evaluating the other projects, we visited another five cooperatives that had also received TechnoServe assistance in the past. In nearly each case, the reports that we received regarding TechnoServe's management assistance were quite positive. Often mentioned were the usefulness of establishing goals and planning to reach these goals, setting up improved accounting systems, cost control systems, equipment maintenance programs, and profitability analyses on a crop by crop basis. In several instances, years after TechnoServe had left the cooperative, records continued to be kept on the profitability of each of the cooperatives activities, and these data were being used in decision making regarding future activities.

One area where the TechnoServe approach needed improvement was in the case of developing workplans. We noticed something of a pattern in which TechnoServe would develop lengthy documentation for short, intermediate, and long term plans, only to find these documents years later gathering dust on the shelves of the cooperative offices. In one instance, we were told that someone had misplaced the planning documents, and that this was the reason for the cooperative abandoning the TechnoServe recommendations. In nearly all cases, developing workplans was seen as an activity which required outside assistance to complete successfully. Given the very basic educational skills present in most of the cooperatives, an intensive planning exercise which produces a complex document that few can understand, only contributes to the notion that outsiders are needed to organize members' lives. Showing how to develop very simple workplans which build on the inputs from the other management systems would do much to help develop local decision making capacity.

TechnoServe also provided management assistance to "second degree" cooperative institutions. Two institutions, UCRAPROBEX and PROXSAL, received TechnoServe assistance during the contract period. Here again, the pattern is one where TechnoServe provided solid management assistance, helped the organization chart its course, and installed good accounting procedures and cost control methods.

TechnoServe did not aggressively search out markets for NTAEs, nor promote the production of NTAEs, nor provide large amounts of specialized assistance to solve NTAE production problems. It had no commitment to do so for any but the last 12 months of the project period.

I. PROJECT COST EFFECTIVENESS

TechnoServe determines the cost effectiveness of its services to each client by means of a model developed by the parent organization in 1989. The model provides cost-benefit calculations for each project, as well as subjective, non-quantifiable indices of changes in political, social, and economic benefits obtained by the assisted organizations and their members. Quantifiable benefits includes net profits, dividends, and salaries and wages paid by the cooperative to its members, and hired labor.

The cost-benefit analysis is based on a calculation of the value of current benefits (profits, dividends, and salaries) added to the expected value of future benefits obtained over a ten-year horizon. This calculation is made for each TechnoServe - assisted cooperative, and compared with what they might otherwise have achieved if assistance had not been provided. The net difference in financial benefits obtained by the cooperative "with TechnoServe" to those "without TechnoServe" is divided by TechnoServe's cost of providing the service. Thus, the ratio of the net benefits obtained by the cooperative to TechnoServe's actual cost of providing the service is the "cost-benefit ratio".

In theory, the analysis appears sound. However, in effect, the accuracy of TechnoServe's cost-benefit model for its' program in El Salvador is highly questionable. First, the projection of benefits is made over an assumed life of ten years into an uncertain future. TechnoServe's projections of benefits obtained "with TechnoServe" over the ten years appear highly optimistic. Second, TechnoServe's estimate of the financial results which could possibly have occurred "without TechnoServe" (and which could have continued into the future, for an entire period of ten years) are often depressed by severe changes in production and marketing parameters which affect the calculations and therefore the outcome of the projections. In many cases the projections assumed that dramatic reductions in producing area, crop yields, and market prices would somehow have resulted in the future had the cooperative been "without TechnoServe" assistance. The analysis skews the outcome to the scenario "with TechnoServe" and greatly inflates the "cost-benefit ratio". The team concluded that TechnoServe's method of "keeping score" in terms of cost effectiveness does not reflect reality and therefore serves no benefit to the evaluation.

Nor was it possible to make an independent calculation of cost effectiveness since TechnoServe's method of measuring impact considers only gross parameters related to the assisted cooperatives and do not indicate the incremental effect of TechnoServe's work. Therefore, it was not possible to determine the cost effectiveness of the Project. Based on the available information, the only meaningful cost indicator which can be derived is that the cost for each cooperative assisted under the Project was \$97,015. Based on an estimated average of 133 members per cooperative, the cost per member served was \$729.43.

III. CONCLUSIONS AND LESSONS LEARNED

A. CONCLUSIONS

- The quality of TechnoServe's performance as the implementing institution of the Project must be rated as acceptable based its compliance with the targets set in the Cooperative Agreement, although with caveats noted in the text. While the quantitative indicators presented indicate that essentially all targets were met, questions remain as to the significance of this "success". The indicators of impact for this project measure anything but impact. They measure process.

To its credit, TechnoServe established genuine impact targets at the cooperative level as part of its planning and management activities. Even though the cooperatives did not reach these targets in most cases, this does not detract from the intention. Shortfalls can be explained by a number of conditions, not the least of which are that the Agrarian Reform cooperatives are barely viable business enterprises. The creation of an operational management system in these cooperatives first requires the creation of an operational management environment.

In a less than perfect world, TechnoServe found itself in the position of having to apply its methodology to cooperatives which lacked an organizational environment consistent with the adoption of sound management practices. This was especially true with respect to the Phase III cooperatives, which had few physical assets and lacked a spirit of integration among its members. Many of the Phase III cooperatives were created by their members to fulfill the requirements for receiving land, which they intended to work on an individual basis.

- The success stories in the TechnoServe portfolio were generally the large, plantation-like cooperatives specialized in the production of sugar and/or coffee. More commonly, however, was the case of the mid-size cooperative, which also relied on coffee and sugar, but had a significant portion of its' farm dedicated to the production of basic grains. On these cooperatives the adoption of the TechnoServe management system was tentative, and would have greatly benefitted from follow-up visits providing continuing

advisory services and training. A foothold was gained in many, or perhaps most, of the client cooperatives which was all but lost when TechnoServe withdrew.

- TechnoServe has successfully assisted its clients to achieve a degree of organizational maturity which is an important element of sustainability. Primary benefits have resulted from the installation of management information, control, and planning systems, including basic accounting and budgetary control procedures. These basic management development efforts have paid off over the long term. However, the path toward "graduation" from TechnoServe's management training does not give the cooperative the perception that technical assistance is an input in the production/marketing process. There is no conceptual transition from the "hand-holding" to the advisory function of external professionals.

As a result, technical assistance is not viewed as a legitimate input to be purchased in the marketplace, thus requiring that the cooperative become self-sufficient in all aspects of enterprise management. No successful enterprise, agricultural or otherwise, is required to develop this capacity and they all utilize outside sources of expertise. This is unfortunate for TechnoServe itself, and its goal of achieving sustainability. Given its mission as a rehabilitator of organizations and institutions, it is difficult to envision any but the largest being able to pay commercial rates for the services TechnoServe offers.

- Based on TechnoServe's recent experience, it is concluded that a program of integrated technical services to cooperatives is not sustainable on a commercial basis. However, TA can be provided to second-level associations at commercial rates. This might serve as a focal point in the future for TechnoServe's technical services.
- TechnoServe's method for calculating project impacts makes it impossible to determine the impact of the program. When a cooperative and TechnoServe sign an assistance agreement, the initial employment figures, area cultivated, and incomes from that cooperative become part of TechnoServe's overall impact, and become inseparable from any increases that may or may not subsequently occur.

When the evaluation team examined other change indicators production, profits, net worth, employment, and managerial capacity, the record was mixed. The number of people on the payroll declined by 33 percent from the first quarter for which information was available (when the cooperative entered the project), to the last quarter that information was available. The number of people on the payroll of the sampled cooperatives declined on average by one-third from the time they entered the program, until TechnoServe stopped keeping records, after a period which ranged between 30-48 months.

Sugar yields dropped twenty percent in TechnoServe assisted cooperatives at a time when national yields remained constant. Coffee yields went up by around 10% in TechnoServe assisted cooperatives, consistent with the national average. However the average yield of TechnoServe assisted cooperatives was slightly below the national average.

- Successful cooperatives generally shared some common features: a stable management structure separate from the board of directors, few rotations in the board of directors, and consistent policies. Unsuccessful cooperatives had high turnover among the board of directors, managers who were also board members, and policies which changed with each new administration. One frustrated coop director described these later cases as "clubs of beneficiaries".
- The problem of frequent changes in cooperative leadership has been a major obstacle for following through on TechnoServe recommendations. The investments made in management assistance were often lost with the arrival of new cooperative management. TechnoServe has had to dedicate too much of its resources to addressing this issue.

One of the critical shortcomings of the TechnoServe methodology is that it does not reach the shareholders of the potential enterprises that it is trying to create. In light of the requirement that cooperatives change their board of directors every two years, this practically guarantees that the incoming decision makers will have had little preparation for their new responsibilities. However, of those members of the cooperatives who are exposed to a threshold level of preparation by TechnoServe, the intent to adopt and try to implement what they have learned is reasonably high.

The evaluation team felt that projects working with production cooperatives must achieve a separation of cooperative management, which have social and political concerns, from the management of the cooperatives business. Sustainability must be created on the business side of the operation. Technoserve should make such a separation a condition of providing services.

- The team found that TechnoServe played a limited role in NTAE development, and collaboration with other projects and institutions was not substantial. The objective of working with NTAEs came only during a final 12 month extension of the project, and there was no accompanying change in targets to include NTAEs.

Some of the cooperatives originally served by TechnoServe were later picked up by CLUSA, and are today sustainable NTAE producers. TechnoServe has had an impact on NTAEs through its institutional assistance to UCRAPROBEX and PROEXSAL. From the beginning however, TechnoServe helped cooperatives producing which were already producing NTAEs by applying the same management tools and technical

assistance to these activities as it would have done for any venture that the cooperative might be involved in.

- In spite of the current enthusiasm for splitting cooperatively held lands into individually held parcels, the team was concerned over the likelihood that this process might lead to the loss of the scale advantages that the cooperative enterprises currently hold. Such a process could produce yet another version of a rural peasantry, living on subsistence sized plots, producing crops for home consumption, and unable to afford new technologies or share in the bargaining power that many of the existing cooperatives now possess.
- We judged TechnoServe's initial strategy in working with the cooperatives to be a fairly successful one. TechnoServe's success stories often begin by working with a willing and able accountant. Subsequent achievements build on this initial effort which lends a disciplined approach to cooperative work.
- TechnoServe has provided assistance to a small number of traditional services cooperatives. The team was impressed both with the nature of these cooperatives and with the assistance provided by TechnoServe. These resemble the North American and European cooperatives which assist farmers in obtaining credit and inputs, and which assist in the marketing of crops. Well managed service cooperatives could be an effective way to achieve gains for many rural producers in El Salvador.
- Of all the skills TechnoServe attempts to transfer to cooperatives, planning was considered by the cooperatives to be the most difficult to adopt, followed closely by marketing. Suggested technical changes in production, or installing new accounting systems were fairly straightforward by comparison.

B. LESSONS LEARNED

Since the Project has ended it would be superfluous to make recommendations, thus a look at lessons learned:

- A project's goals, strategy, performance measures, and indicators should be consistent. TechnoServe stated that its goals were to increase rural employment, income and production through working with self-managed enterprises. However, results cannot be measured because performance measures were designed to track the process, instead of progress.
- The problem with working toward a standard set of broad goals is that there may be occasions in which these goals and the strategy for achieving them become inconsistent. TechnoServe's strategy for institutional development of client cooperatives was to help

improve management systems and to control costs. Given this strategy, employment could be expected to decline, at least in the near term.

- When an environment cannot be changed that adversely affects progress, it may become necessary to change the strategy for Project implementation. This is particularly applicable to the problem of rotating cooperative leadership. The evaluation team heard repeatedly that frequent turnover of cooperative decision makers means that cooperatives either do not graduate, or else drop recommended policies once the board of directors changes. TechnoServe could have made stable management a pre-condition for providing services. Possible solutions might have been to insist, as part of the agreement with a cooperative, on their providing stable management for a fixed period of time, or to nominate a permanent steering committee to manage crop production.

Table 1 **RURAL ENTERPRISE DEVELOPMENT II PROJECT**
PLANNED AND ACTUAL EXPENDITURES
UNDER THE COOPERATIVE AGREEMENT
(\$000)

| ITEM | PLANNED AMOUNT | ACTUAL AMOUNT |
|--------------------------------|----------------|---------------|
| AID CONTRIBUTION | | |
| Personnel Expenses | 3,600 | 3,568 |
| Travel Allowances | 481 | 511 |
| Office Expenses | 405 | 417 |
| Other Direct Expenses | 544 | 566 |
| General and Administrative | 1,151 | 1,125 |
| Capital Expenditures | 254 | 254 |
| Evaluations | 50 | 0 |
| Audits | 15 | 9 |
| TOTAL AID | 6,500 | 6,450 |
| TECHNOSERVE COUNTERPART | | |
| Cash | 697 | 730 |
| In-Kind Payments | 1,470 | 2,824 |
| TOTAL COUNTERPART | 2,167 | 3,554 |
| TOTAL COST OF PROJECT | 8,667 | 10,004 |

Table 2 **COMPARISON OF BEGINNING AND ENDING**
NET WORTH
OF TECHNOSERVE-ASSISTED COOPERATIVES

| NO. | NAME OF COOP | MONTHS - EARLIER PROJECT | MONTHS - CURRENT PROJECT | TOTAL MONTHS T/A | GRADUATED? (Y/N) | INITIAL NET WORTH (\$C) | FINAL NET WORTH (\$C) |
|-----|-------------------------|--------------------------|--------------------------|------------------|------------------|-------------------------|-----------------------|
| 1 | Los Lagartos | 20 | 19 | 39 | Y | | 10,141 |
| 2 | San Isidro | 29 | 2 | 31 | Y | | 3,491 |
| 3 | Amate de Campo | 61 | 1 | 62 | Y | | Parcelled |
| 4 | San Sebastian | 26 | 11 | 37 | Y | | 165,761 |
| 5 | El Jabali | 23 | 11 | 34 | Y | | 1,545,787 |
| 6 | San Carlos | 31 | 23 | 54 | Y | | NA |
| 7 | La Isla | 12 | 14 | 26 | Y | | 1,802,530 |
| 8 | El Obrajusto | 11 | 22 | 33 | Y | (680,100) | (467,710) |
| 9 | El Potosi | 10 | 2 | 12 | Y | | 718,443 |
| 10 | Nazareth | 10 | 21 | 31 | Y | | 58,714 |
| 11 | Tonala | 60 | 12 | 72 | Y | (4,996,400) | (2,953,843) |
| 12 | San Jose la Paz | 29 | 21 | 50 | Y | | 876,093 |
| 13 | San Jose Miramar | 60 | 6 | 66 | Y | (1,968,700) | (2,576,754) |
| 14 | Miravalles | 49 | 1 | 50 | Y | | 7,135,800 |
| 15 | La Magdalena | 46 | 1 | 47 | Y | | 3,249,188 |
| 16 | San Cristobal | 0 | 19 | 19 | Y | | 199,148 |
| 17 | San Rafael la Posada | 0 | 32 | 32 | Y | (805,300) | (1,237,727) |
| 18 | El Sinai | 0 | 18 | 18 | Y | (304,271) | (372,935) |
| 19 | San Raymundo | 0 | 38 | 38 | Y | (2,868,200) | 3,720,507 |
| 20 | El Zacamil | 0 | 38 | 38 | Y | (1,718,800) | (1,228,856) |
| 21 | Aqua Caliente | 0 | 19 | 19 | Y | | Parcelled |
| 22 | San Francisco Guayoyo | 0 | 30 | 30 | Y | | 363,082 |
| 23 | Las Lajas | 36 | 20 | 56 | Y | | 9,227,509 |
| 24 | Rancho Monte Vista | 0 | 36 | 36 | Y | (2,577,000) | (578,872) |
| 25 | Terminal Pesquera | 0 | 31 | 31 | Y | | 215,698 |
| 26 | Florencia | 0 | 32 | 32 | Y | | 814,096 |
| 27 | Las Colinas | 0 | 24 | 24 | Y | (2,405,700) | (2,370,319) |
| 28 | San Simon | 0 | 18 | 18 | N | | NA |
| 29 | Socopu | 0 | 12 | 12 | Y | 534,127 | |
| 30 | Astoria | 0 | 22 | 22 | Y | (2,715,559) | (3,286,146) |
| 31 | San Francisco Suchitoto | 0 | 40 | 40 | Y* | | 4,697,450 |
| 32 | Santa Barbara | 0 | 24 | 24 | Y | | 1,129,050 |
| 33 | Llano Largo | 0 | 14 | 14 | N | | NA |
| 34 | El Progreso | 0 | 16 | 16 | Y | | 1,357,101 |
| 35 | Los Pinos | 0 | 12 | 12 | Y | 13,833,815 | |
| 36 | Agua Fria | 0 | 15 | 15 | Y | 12,033,605 | |
| 37 | Nuevo San Sebastian | 0 | 15 | 15 | Y | | 123,030 |
| 38 | Concepcion Miramar | 0 | 35 | 35 | Y | (3,152,464) | (2,044,019) |

| NO. | NAME OF COOP | MONTHS - EARLIER PROJECT | MONTHS - CURRENT PROJECT | TOTAL MONTHS T/A | GRADUATED? (Y/N) | INITIAL NET WORTH (\$C) | FINAL NET WORTH (\$C) |
|-----|----------------------------|--------------------------|--------------------------|------------------|------------------|-------------------------|-----------------------|
| 39 | El Nilo I | 0 | 33 | 33 | Y* | (887,323) | (350,604) |
| 40 | Brisas del Mar | 0 | 24 | 24 | Y | | 209,908 |
| 41 | Nuevo Amanecer | 0 | 24 | 24 | Y | | 251,413 |
| 42 | El Rubi | 0 | 24 | 24 | Y | | 272,756 |
| 43 | Hoja de Sal | 0 | 31 | 31 | Y* | | 559,870 |
| 44 | Acoopacifico | 0 | 33 | 33 | Y | | 198,150 |
| 45 | El Pital | 0 | 25 | 25 | Y* | | 1,048,954 |
| 46 | Los Mangos | 0 | 24 | 24 | Y* | | 2,389,056 |
| 47 | La Presa | 0 | 24 | 24 | N | | 3,073,125 |
| 48 | Los Chilamotes | 0 | 22 | 22 | N | | 3,722,401 |
| 49 | El Angel | 0 | 6 | 6 | Y | | NA |
| 50 | Acopolim | 0 | 22 | 22 | Y* | | 1,821,093 |
| 51 | Coralama | 0 | 23 | 23 | N | | NA |
| 52 | Nueva Esperanza | 0 | 6 | 6 | Y | | NA |
| 53 | Lempa-Acahoopa | 0 | 22 | 22 | N | | 7,245 |
| 54 | Comora | 0 | 6 | 6 | Y | | NA |
| 55 | El Cortijo | 0 | 19 | 19 | N | | 11,046 |
| 56 | El Renacer | 0 | 6 | 6 | Y | | NA |
| 57 | Shutecat | 0 | 20 | 20 | N | | NA |
| 58 | Plan de Amayo | 0 | 6 | 6 | N | | NA |
| 59 | Tres Haciendas | 0 | 6 | 6 | N | | NA |
| 60 | Rancho Luna | 0 | 6 | 6 | N | | NA |
| 61 | Tepeacua | 0 | 6 | 6 | N | | NA |
| 62 | Las Victorias | 0 | 6 | 6 | N | | NA |
| 63 | San Carlos No. 2 | 0 | 6 | 6 | N | | NA |
| 64 | Santa Maria Las Trincheras | 0 | 6 | 6 | Y | | NA |
| 65 | San Juan Merino | 0 | 3 | 3 | Y | | NA |

Y* indicates that the cooperative "graduated" after the end of the Project. Continued assistance was provided under the IFAD Project.

Table 3 **RURAL ENTERPRISE DEVELOPMENT II PROJECT**
INTERMEDIATE OBJECTIVES

| ITEM | PLANNED AMOUNT | ACTUAL AMOUNT | SUCCESS RATE |
|--------------------------------------|----------------|---------------|--------------|
| INDIVIDUAL COOPERATIVES | | | |
| Number Assisted | 50 | 65 | 130% |
| Number Graduated | 38 | 44 | 116% |
| Diagnostic Analyses Made | 72 | 72 | 100% |
| TA Contracts Signed | 72 | 133 | 185% |
| Activity Analyses Completed | 204 | 382 | 187% |
| Enterprise Plans Developed (1) | 142 | 192 | 135% |
| Enterprise Plans Executed (1) | 98 | 185 | 189% |
| Persons Trained | 700 | 6,343 | 906% |
| Women | NA | 414 | NA |
| Men | NA | 5,629 | NA |
| INSTITUTIONS | | | |
| Number of Participating Institutions | 52 | 92 | 177% |
| Training Activities | 74 | 140 | 189% |
| Preliminary Evaluations | 32 | 26 | 81% |
| Activity Analyses | 48 | 97 | 202% |
| Project Planning Activities | 24 | 56 | 233% |
| Coordination Activities | 112 | 233 | 208% |
| TA Proposals Developed | 16 | 72 | 450% |
| Persons Trained | 3,500 | 5,393 | 154% |
| Women | NA | 215 | NA |
| Men | NA | 5,178 | NA |

(1) Annual and five-year plans

Table 4 **RURAL ENTERPRISE DEVELOPMENT II PROJECT**
FINAL TARGETS

| ITEM | PLANNED AMOUNT | ACTUAL AMOUNT | SUCCESS RATE |
|---------------------------------------|----------------|---------------|--------------|
| Jobs Created/Sustained (Person-years) | 42,181 | 47,956 | 114% |
| Family Income (SC 000) | 162,567 | 254,254 | 156% |
| Cooperative Area (Mz) | 29,900 | 41,000 | 137% |
| Cultivated Area (Mz) | 88,190 | 81,835 | 94% |
| Area - Direct Assistance | NA | 23,409 | NA |
| Area - Sphere of Influence | NA | 58,426 | NA |

Table 5 **RURAL ENTERPRISE DEVELOPMENT II PROJECT**
TOTAL AREA, AVERAGE YIELDS AND TOTAL PRODUCTION
OF SUGAR AND COFFEE ON COOPERATIVES ASSISTED BY TECHNOSERVE

| YEAR | SUGAR | | | COFFEE | | |
|---------|-----------|---------------|---------------------|-----------|---------------|---------------------|
| | AREA (MZ) | YIELD (MT/MZ) | PRODUCTION (000 MT) | AREA (MZ) | YIELD (QQ/MZ) | PRODUCTION (000 QQ) |
| 1990/91 | 4,210 | 71.0 | 299.2 | 6,526 | 11.0 | 71.6 |
| 1991/92 | 4,610 | 66.0 | 323.3 | 6,563 | 12.0 | 74.5 |
| 1992/93 | 4,690 | 60.0 | 298.9 | 6,591 | 17.0 | 108.9 |
| 1993/94 | 4,750 | 57.0 | 270.9 | 6,597 | 12.0 | 88.7 |

Area expressed in manzanas; sugar production in metric tons; coffee production in hundredweight.

Table 6 **RURAL ENTERPRISE DEVELOPMENT II PROJECT**
AVERAGE YIELDS FOR SUGAR AND COFFEE
NATIONAL AVERAGE VERSUS TECHNOSERVE-ASSISTED COOPERATIVES

| YEAR | SUGAR | | | COFFEE | | |
|------|----------|-------------|----------------|----------|-------------|----------------|
| | NATIONAL | TECHNOSERVE | DIFFERENCE (%) | NATIONAL | TECHNOSERVE | DIFFERENCE (%) |
| 1990 | 59.6 | 71.0 | 119% | 12.0 | 11.0 | 92% |
| 1991 | 65.1 | 66.0 | 102% | 14.0 | 12.0 | 87% |
| 1992 | 60.7 | 60.0 | 99% | 14.0 | 17.0 | 119% |
| 1993 | 58.9 | 57.0 | 96% | 14.0 | 12.0 | 83% |

Sugar yields expressed in metric tons per manzana; coffee yields expressed in hundredweight per manzana

Table 7 **RURAL ENTERPRISE DEVELOPMENT II PROJECT**
CHANGES IN PROFITABILITY
OF TECHNOSERVE-ASSISTED COOPERATIVES

| CHANGE IN PROFITABILITY | NUMBER OF COOPERATIVES | PERCENT OF TOTAL |
|--|------------------------|------------------|
| Profitability increase greater than ten percent | 13 | 52% |
| Profitability decrease greater than ten percent | 5 | 20% |
| Stable profits (variation less than ten percent) | 7 | 28% |
| TOTAL | 25 | 100% |

Table 8 **RURAL ENTERPRISE DEVELOPMENT II PROJECT**
PERCENTAGE ACHIEVEMENT OF PRODUCTION GOALS
BY TECHNOSERVE-ASSISTED COOPERATIVES

| YEAR | COFFEE | | RICE | | MILK |
|---------|--------|------------|--------|------------|------------|
| | YIELD | PRODUCTION | YIELD | PRODUCTION | PRODUCTION |
| 1990/91 | 64.7% | 89.6% | 104.2% | 62.2% | 79.6% |
| 1991/92 | 66.7% | 83.6% | 67.1% | 40.3% | 68.5% |
| 1992/93 | 89.5% | 91.6% | 80.0% | 63.8% | 94.5% |
| 1993/94 | 63.1% | 77.9% | 80.0% | 48.8% | 86.0% |

Table 9

RURAL ENTERPRISE DEVELOPMENT II PROJECT**CHANGES IN LEVELS OF EMPLOYMENT****FOR A SAMPLE OF TWENTY-EIGHT COOPERATIVES**

| GENDER | FIRST AVAILABLE QUARTER | LAST AVAILABLE QUARTER | PERCENT CHANGE |
|---|----------------------------|---------------------------|----------------|
| No. men employed | 6,492 | 4,773 | (26%) |
| No. women employed | 2,174 | 954 | (56%) |
| GRAND TOTAL EMPLOYMENT | 8,666 | 5,727 | (33%) |
| Achieved Self-Management Status? | | | |
| Yes - Total Employment | 8,000 | 3,087 | (36%) |
| No - Total employment | 666 | 640 | (4%) |
| GRAND TOTAL EMPLOYMENT | 8,666 | 5,727 | (33%) |

Attachment 1

TECHNOSERVE'S COMMENTS

ON THE DRAFT REPORT

**OBSERVACIONES Y COMENTARIOS A LA EVALUACION DE PROYECTOS
NTAE EN EL SALVADOR, REALIZADA POR CONSULTORES DE
AGRIDEC**

Después de haber revisado el documento de Evaluación de Proyectos, NTAE en El Salvador, se tiene las siguientes seis observaciones, y sus respectivos comentarios y al final se hacen observaciones de forma al documento específico de TechnoServe.

I. LIMITADO IMPACTO DE TECHNOSERVE EN LA PRODUCCION DE NTAE

La evaluación realizada por el grupo de consultores de AGRIDEC, estuvo más orientada a evaluar un proyecto de NTAE, en donde CLUSA y FUSADES si tenían responsabilidades específicas de promover y fomentar la producción de cultivos no tradicionales y TechnoServe tenía sus responsabilidades mas orientadas hacia el desarrollo de empresas cooperativas del sector agropecuario de El Salvador.

El proyecto Rural Enterprise Development II, en sus primeros cuatro años de vida, no tenía responsabilidades específicas en la producción y fomento de los cultivos no tradicionales, por lo tanto no puede calificarse que el impacto de TNS fue limitado, ya que por los propósitos y objetivos originales del proyecto, fue el de promover el desarrollo empresarial en las empresas-cooperativas y en las instituciones de segundo grado íntimamente relacionadas a las cooperativas del sector agropecuario. Al final del proyecto, (en el quinto año) se agregaron objetivos relacionados a la producción y fomento de cultivos no tradicionales .

TECHNOSERVE, desde los primeros años del proyecto, estuvo apoyando la producción de cultivos no tradicionales, prueba de ello es que durante los cinco años se promovió la producción de 2,381 hectáreas de 17 cultivos no tradicionales. Además, en un seminario que se llevó a cabo en 1994, en donde se analizó la problemática de los NTAE, participaron representantes de USAID, CLUSA, TECHNOSERVE, FUSADES, LAC-TECH, PROEXANT Y PROEXAG, TECHNOSERVE, en su presentación, expuso que dentro de las áreas de producción agrícola de las cooperativas, el 20 % se dedicaba a la producción de cultivos no tradicionales de exportación, esta información estuvo disponible para los evaluadores.

Por todo lo anteriormente expuesto, se considera que el esfuerzo de TECHNOSERVE en los NTAE no fue limitado, como lo consideran los evaluadores, sino que la contribución que se hizo a la producción y fomento de NTAE, fue mas allá de las responsabilidades que se tenían en el

Acuerdo Cooperativo, al promover más de quince productos no tradicionales en un ambiente poco favorable para la producción y exportación de estos cultivos agrícolas.

II. SOBRE LA PROBLEMÁTICA DE LOS CAMBIOS DE LOS CONSEJOS DE ADMINISTRACIÓN Y SU EFECTO EN LA SOSTENIBILIDAD DE LAS EMPRESAS

A diferencia de lo que consideran los evaluadores sobre el problema de cambios de Consejos de Administración, como el problema que más pueda afectar el futuro y sostenibilidad de las empresas, TECHNOSERVE, considera que no es un problema muy serio, ya que durante el período que se proporciona la asistencia técnica a las cooperativas, se aplican las siguientes estrategias:

1. Se capacita principalmente a los mandos medios de la empresa (contador, bodeguero, encargados de la parte agrícola y/o ganadera, encargados de la planta de procesado o beneficio, encargados del área social), y al gerente, a los que TECHNOSERVE identifica como PARATECNICOS, quienes son las personas que tienen mayor permanencia laboral dentro de la empresa.
2. El asesor de Technoserve del área Gerencial/Administrativa, participa en todas las reuniones del Consejo de Administración, esto le permite orientar dentro de la empresa, la toma de decisiones. Su participación es con voz, no con voto.

Además, en 1995, el Gobierno Central a través de un Decreto Legislativo, modificó el Reglamento Regulador de los Estatutos de las Cooperativas, el cual dentro de sus reformas, está contemplado la gradualidad del tiempo de los cargos, dentro del Consejo de Administración, de manera que siempre existan personas con antigüedad y experiencia en los Consejos .

Muchas de las empresas cooperativas que asistió TECHNOSERVE, a través de este convenio y con los anteriores convenios financiados por AID, se encuentran trabajando exitosamente y por lo tanto son sostenibles, a pesar del cambio de algunos miembros del Consejo, los cuales siempre continúan siendo líderes del grupo.

Por lo anteriormente manifestado, se considera que los cambios de los consejos de administración, no es un problema que afecte sustancialmente el futuro de las cooperativas.

III. NO FUE POSIBLE MEDIR EL IMPACTO DEL TRABAJO DESARROLLADO POR TECHNOSERVE, POR EL METODO DE REPORTAR EL PROGRESO

De acuerdo a los evaluadores, los indicadores empresariales é institucionales del proyecto, no reflejan lo que se pretendía alcanzar con el objetivo general del proyecto, que fue el de incrementar el empleo, el ingreso rural y la producción agropecuaria, ya que estos reportan la información en una forma acumulada, pero éstos indicadores y su metodología fue discutida y

aceptada por AID, cuando se presentó la propuesta, por lo que se reportaron sus cumplimientos de acuerdo a la metodología aceptada. Si la metodología no fue la correcta, se considera que esto deberá ser motivo de otro análisis y discusión. Por lo que debemos de tomar, que el cumplimiento de los indicadores reflejan el impacto logrado en las 66 empresas asistidas durante el período de duración del proyecto.

De acuerdo al cumplimiento de los indicadores, se considera que el impacto que tuvo TECHNOSERVE en el sector agropecuario de El Salvador fue :

Haber contribuido a la generación de 47,956 empleos por año.

Haber generado ₡ 254,254,000 por concepto de ingreso familiar global, el cual proviene de salarios pagados, prestaciones sociales y excedentes económicos. Al hacer un análisis específico del ingreso rural per capita promedio en las cooperativas, se encontró que en 1990, el ingreso rural per cápita promedio en las cooperativas fue de ₡ 3,850 y para 1994, se incrementó a ₡ 5,524.

Esto refleja un incremento en el ingreso familiar.

Se tuvo un efecto directo en el 11% de la producción nacional de caña de azúcar y en el 31% (directa e indirectamente) de la producción nacional de café.

Se capacitaron a 5,472 personas relacionadas con el sector agropecuario (profesionales, técnicos, socios de cooperativas, miembros de diferentes gremiales, ex miembros de la FAES etc.).

Nuestra mayor contribución é impacto, fue el que los miembros de las 66 empresas cooperativas asistidas, hallan mejorado las condiciones económicas y sociales de ellos como la de sus familias y que vean a la empresa como el instrumento de desarrollo para ellos y su comunidad.

IV. SOBRE LA CREDIBILIDAD DE LA METODOLOGIA DEL COSTO / EFECTIVIDAD

Consideramos que la metodología empleada en el cálculo del costo beneficio obtenido en algunos de los proyectos asistidos por TNS, merece todo el crédito y respeto, ya que no es una metodología exclusiva de la corporacion, sino que esta enmarcada en un concepto metodológico utilizado por instituciones financiadoras internacionales como el BID y BANCO MUNDIAL, para medir el impacto que tendrá un determinado proyecto de inversión.

Las personas que diseñaron esta metodología fueron profesionales de mucha experiencia que habían trabajado con organismos internacionales, instituciones de desarrollo y en universidades y además fue consultada con distintas universidades de USA.

En algunos casos se ha calculado el índice "ex post" y los resultados han sido positivos. El costo/efectividad es un índice, da una idea del beneficio o rentabilidad de la inversión. El método tiene limitaciones; pero no por eso deja de ser absolutamente increíble.

V. COMPARACIONES DE COSTO BENEFICIO ENTRE LOS TRES PROYECTOS

En el cuadro en donde se establecen comparaciones del costo beneficio de los proyectos, para el caso de TECHNOSERVE, se pueden agregar los siguientes indicadores:

COSTO DE CADA DIA EMPLEO GENERADO POR TECHNOSERVE:

El cual se puede calcular de la siguiente manera.

Costo total del proyecto \$ 6,500,000
 _____ : \$135.54 costo empleo año.
 Empleos año generados : 47,956

Costo del empleo año : \$135.54
 _____ : \$ 0.62 costo del día empleo

días hábiles por año: 220

La cifra anterior de \$ 0.62, es mucho mas baja que el costo del día empleo generado por CLUSA, el cual es de \$ 8.60.

COSTO DE LA ASISTENCIA POR CADA MIEMBRO DE LA COOPERATIVA

Costo por cada cooperativa asistida : \$97,015
 _____ : \$ 729.43

Promedio de socios por cooperativa :133

La cifra anterior es superior en un 20% a la obtenida por CLUSA, pero no se debe de olvidar que la asistencia ofrecida por TNS es de tipo integral, en donde se asisten todas las funciones de la empresa (gerencial/administrativa, financiero contable, producción, comercialización y lo social), en cambio la asistencia proporcionada por CLUSA, únicamente esta centrada en la producción y comercialización de NTAE.

Los resultados obtenidos en los dos indicadores anteriores, demuestran la eficiencia en el costo por día empleo generado y en proporcionar la asistencia de tipo integral, ya que únicamente existe un diferencial del 20%, al compararla con una asistencia de tipo parcial.

VI. NO EXISTEN RECOMENDACIONES PARA TECHNOSERVE

No se dan recomendaciones para TechnoServe, no se hace ninguna mención para nada de la propuesta del Fideicomiso que se le hizo a la AID, la cual es una de las alternativas de sostenibilidad del Programa. Asimismo, no existe ningún comentario sobre la propuesta de asistencia técnica al Distrito de Riego de Atiocoyo, la cual viene siendo también una de las alternativas del futuro del Programa, en el sentido de potenciar la asistencia técnica a la agricultura bajo riego.

VII. OBSERVACIONES DE FORMA AL DOCUMENTO DE EVALUACION DE TECHNOSERVE

En las páginas anteriores para nada se hace mención del proyecto FODEAGRO (PROGRAMA DE FORTALECIMIENTO AL DESARROLLO EMPRESARIAL EN EL AGRO), el cual era un proyecto estratégico para el futuro de TechnoServe, el cual tendía a mejorar la calidad del recurso humano de los pequeños y medianos productores agrícolas, a fin de elevar su nivel y calidad de vida, el proyecto se tenía proyectado realizarlo en las regiones para central y oriental del país y en algunas cooperativas ya asistidas por TECHNOSERVE, en donde se impulsarían nuevos proyectos y producción de cultivos no tradicionales .

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ANNEX III

**MID-TERM EVALUATION OF THE
NTAE PRODUCTION AND MARKETING PROJECT**

(NO. 519-0392)

(CLUSA)

ACRONYMS

| | |
|--------------|---|
| AID | Agency for International Development (U.S.) |
| CLUSA | Cooperative League of the U.S.A. |
| CRECER | Equitable Rural Economic Growth Project (No. 519-0397) |
| DIVAGRO | The Salvadoran Foundation for Economic and Social Development |
| EC | European Community |
| FAO | Food and Agriculture Organization of the United Nations |
| FUSADES | Salvadoran Foundation for Economic and Social Development |
| LOP | Life of project |
| MZ | manzana = 0.7 ha |
| NCBA | National Cooperative Business Association |
| NGO | A private, non-profit, non-government organization |
| NTAEs | Non-traditional Agriculture Export Products |
| NTAE Project | Non-traditional Agriculture Export Production and Marketing Project (No. 519-0392) |
| OCIA | Organic Crop Improvement Association |
| PROESA | Association of Salvadoran Producers and Entrepreneurs |
| PROXSAL | Salvadoran Producers and Exporters Organization |
| QAP | Quality Assurance Program |
| TA | Technical assistance |
| UCRAPROBEX | Union of Coffee Producers, Processors and Exporters |
| USAID | United States Agency for International Development |
| USDA | United States Department of Agriculture |

NTAE PRODUCTION AND MARKETING PROJECT EVALUATION REPORT

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EXECUTIVE SUMMARY

The Non-traditional Agricultural Export (NTAE) Production and Marketing Project (No. 519-0392) began on June 28, 1991, and has a scheduled five-year life. The project is being implemented under a \$9 million Cooperative Agreement with the Cooperative League of the U.S.A. (CLUSA), a private, non-profit, non-government entity (NGO). The NTAE project is the continuation of an earlier, \$1.9 million pilot project carried out by CLUSA between August, 1988 - January, 1991. The goal of the NTAE Project is to increase rural incomes through production of alternative crops, and through access to more lucrative markets. The purpose of the Project is to increase the volume of selected NTAE products marketed abroad, which are produced by cooperatives and small farmers. Targeted beneficiaries are cooperative members, along with small/medium producers meeting CLUSA's selection criteria. The Project directly targets some 8,000 producer-members of agricultural cooperatives, and up to 25 private growers with no cooperative affiliation.

MAJOR CONCLUSIONS

- The program has been remarkably successful in meeting and surpassing its targets. There has also been a qualitative change in certain export markets through CLUSA's role as an "honest broker" in coordinating export programs between brokers, producers, and exporters. CLUSA has demonstrated that integrity in NTAEs is good business.
- The promotion of organic crops makes good economic sense because earnings tend to be greater than for traditional crops. The reason is that production costs are lower since on-farm labor is used to produce organic fertilizers and "natural" pesticides at a lower cost than imported, synthetic products. For most crops, yields of organically grown crops are similar to yields obtained from traditional agricultural practices. Market prices of organic products tend to be higher when these are targeted on small but growing "niche" markets.
- Approximately six CLUSA-assisted cooperatives are now sustainable producers and exporters of fresh NTAE products. Institutions are in place and market linkages have been created so that they could continue to operate without outside assistance.
- It is doubtful that the Salvadoran Producers and Exporters Organization (PROXSAL) will be sustainable by the time the NTAE Project ends. The organization is young and inexperienced, has not achieved financial self-sufficiency, and may experience conflicts of interest in trying to serve its highly varied membership.
- The sustainability of CLUSA's cooperative development efforts have been severely impacted by rotation of cooperative boards of directors which results in periodic management changes. Unless this problem is addressed, CLUSA's work will never end. CLUSA must help its clients achieve a separation of cooperative management, which have

social and political concerns, from the management of the cooperatives business. Sustainability must be created on the business side of the operation.

RECOMMENDATIONS

- Given that USAID assistance under the NTAE Production and Marketing Project beyond the current completion date of June 30, 1996 is still being discussed, the team recommends that CLUSA plan for its orderly close.
- The mission and role of the Salvadoran Producers and Exporters Organization (PROXSAL) should be better defined. CLUSA should identify and assign responsibilities to all entities which will continue the organization's work after CLUSA leaves. This would determine which of CLUSA's functions should be assumed by PROXSAL, and which ought to be assumed by other entities. CLUSA should also help PROXSAL develop a self sufficiency plan.
- CLUSA should consider the entire farm as an enterprise rather than focus its efforts exclusively on NTAEs. In order to not detract CLUSA specialists from their NTAE work, much of this management development work could be done by sub-contracting with local experts.

LESSONS LEARNED

- When an adverse environment cannot be changed, one must change the strategy for Project implementation. The evaluation team heard repeatedly that frequent turnover of cooperative decision makers meant that CLUSA-assisted cooperatives either could not graduate, or else recommended practices would be suspended once the board of directors changed. CLUSA should make stable management a pre-condition for providing services.

RESPONSE TO REVIEWER'S COMMENTS:

The draft evaluation report was circulated for review and comment to USAID Officials as well as to the management and staff at CLUSA who have been involved in implementing the NTAE Production and Marketing Project. In most cases the final report was modified as appropriate to reflect the information provided by the reviewers. In other cases their comments are shown as footnotes to the relevant section of the text. In all cases the evaluation team has attempted to fairly reflect the comments of the reviewer in the final evaluation report.

I. INTRODUCTION

A. PROJECT BACKGROUND

The Non-traditional Agricultural Export (NTAE) Production and Marketing Project (No. 519-0392) began on June 28, 1991. The Project has a five-year life and is scheduled to end on June 30, 1996. Implementation is carried out under a \$9 million Cooperative Agreement with the Cooperative League of the U.S.A. (CLUSA), a private non-profit, non-government organization known in the United States as the National Cooperative Business Association (NCBA). The NTAE project is the continuation of an earlier, \$1.9 million pilot project entitled the "Cooperative Production and Marketing Project" carried out by CLUSA between August, 1988 - January, 1991.

The goal of the NTAE Project is to increase rural income through production of alternative crops, and through access to more lucrative markets. The purpose of the Project is to increase the volume of selected NTAE products marketed abroad, which are produced by cooperatives and small farmers. Targeted beneficiaries are cooperative members, along with small/medium producers meeting CLUSA's selection criteria. The Project directly targets some 8,000 producer-members of agricultural cooperatives, and up to 25 private growers with no cooperatives affiliation.

Broad Project objectives are a) to increase and improve the production and export marketing of NTAEs, b) to improve and expand NTAE marketing systems, c) to develop and strengthen linkages between producers, processors, and exporters of NTAE products, and d) to promote investment in NTAE production and marketing.

The current Project expands CLUSA's efforts initiated under the pilot project. In the earlier project, CLUSA worked with twenty-four cooperatives, five exporters, and four food processors in El Salvador, and three food brokers in the United States. Efforts were focused on establishing supply contracts between producing cooperatives, exporters, and U.S. brokers of NTAE crops such as honey dew melons, cantaloupes, blackeyed peas, sesame, okra, and baby cucumbers. Primary objectives included improving the cooperatives' linkages with firms in the market channels and increasing the volume of production and export of these products. The pilot project also provided for the initial development of a management information system for NTAE crop production, including both production and marketing information.

While the pilot project focused exclusively on Agrarian Reform cooperatives, eligibility for participation in the NTAE Project has been broadened to include any of the approximately 474 agricultural cooperatives in El Salvador as well as small producer groups satisfying the criteria listed below. Individual growers who form producer groups with a total area in production of at least ten hectares will also be allowed to participate in the Project, as long as they satisfy

minimum entry requirements of being producers of NTAEs, are located within the geographic coverage of the Project, and are willing to follow CLUSA's advice and guidance.

Producer selection criteria are as follows:

- a) Participating farms must be accessible during the rainy season. Transportation of farm products should not be a problem.
- b) NTAE production operations started in the same geographic areas served by the pilot project, but has moved into new areas as pacification has brought opportunities for expansion.
- c) Producers within a given region served by the Project should be located in the same general area, so that several groups can be served by the same project personnel.
- d) Participating cooperatives and producer groups must have the ability to access production credit.
- e) Total land available for production by any one group must be at least ten hectares.
- f) Assisted groups must have at least ten members, and must appoint a representative with whom CLUSA's staff can interact.

The following targets were set for the current Project and represent increases from the original targets established for the pilot project: a) thirty six cooperatives, and possibly a few individual farms, when taken together will provide 533,000 person days of employment in non-traditional crop production; b) an increase in production of 26,146,000 pounds of NTAE products will be produced by CLUSA-assisted enterprises; c) due to CLUSA's assistance and market facilitation, a total of 5,773 additional hectares will have been planted in selected NTAE crops by the end of the Project.

Attached Table 1 shows progress made to date toward achieving these targets, as well as other outputs planned for the Project.

The Cooperative Agreement also specified that counterpart funds would be provided by CLUSA in the amount of \$2,337,875. Of the total amount, service fees were expected to total \$77,500 over the entire life of Project (LOP). The remaining counterpart funds are to be provided as in-kind services contributed by the participating cooperatives and producer groups.

Attached Table 2 compares the budgeted funding level for the entire Project with actual expenditures reported to-date.

B. PREVIOUS EVALUATIONS

1. Final Evaluation of the Pilot Project

A final evaluation of the pilot project was performed by Checchi Consulting Co. of Washington, D.C., in September, 1990. A summary of the major conclusions and recommendations follows. A detailed analysis of specific issues and CLUSA's response to them can be found in the attachment to this annex.

Conclusions of Pilot Project evaluation:

- a) The project had a significant impact on the development of local exporters and in improving the degree of competition among them. It also produced some changes in the marketing of products to local processors. The overall execution of the Cooperative Agreement was good.
- b) The project design overestimated the managerial and economic capabilities of the cooperatives to produce and export NTAE crops, and therefore the time and resources provided by the project were insufficient. These factors resulted in heavy dependency on the Project staff by the cooperatives producing fresh export products. This dependency significantly increased the probability that achievements would dissipate quickly after the termination of assistance.
- c) The project should develop different approaches for providing assistance, depending on the complexity of producing and exporting different categories of NTAEs. For example, the selection criteria for cooperatives producing fresh export products should be more restrictive than the criteria for cooperatives producing only products for local processing (for later export). Cooperatives producing fresh export products should receive a full complement of technical agricultural assistance with managerial assistance. Those cooperatives producing only for local processing could continue to receive partial managerial assistance as required to help them obtain production credit for NTAE crops.

Recommendations of Pilot Project evaluation:

- a) The evaluation team recommended that the pilot project be expanded into a full project for a period of at least four years, fully incorporating the lessons learned in the pilot project. It was recommended that funding be increased to provide a full complement of managerial assistance to the cooperatives producing fresh export products. The new project should adopt a more intensive approach and methodology for those cooperatives producing fresh export products, including a full complement of administrative, organizational and financial management assistance. This assistance should be of a quality and intensity at least equal to that provided by TechnoServe, but without

"graduating" the cooperatives after only two or three years. Benefitting Cooperatives should pay (nominal) fees for this assistance. Partial managerial assistance should be provided to those cooperatives producing only for local processing. This assistance should be similar to that provided by the pilot project.

b) The ultimate success of the expanded project's assistance in developing NTAEs should be measured by the ability of the entire production and marketing system to continue by itself after the project is completed. Quantitative targets should be set with extreme caution since the fresh fruit cooperatives would need a long period of intensive assistance before they become capable of continuing on their own. Cooperatives producing NTAE products for local processing would need less time to acquire the skills to become reliable, high-quality producers.

c) USAID/El Salvador should develop a separate project to promote investment by U.S. fresh fruit brokers and other entities in local export firms. The development of local exporters into firms with a capital base and experience as market participants will contribute significantly to the long-term development of El Salvador's export capability in fresh produce. The entire process can develop more rapidly if relationships are established between U.S. firms and individual local exporters.

2. CLUSA's Internal Evaluation of the NTAE Project:

In September, 1993, CLUSA carried out an internal evaluation of the NTAE Project. The conclusions and recommendations of this evaluation are summarized as follows:

Conclusions of CLUSA's internal evaluation:

a) The CLUSA Project was a very well designed project. It perfectly meets the needs of the targeted clientele. Implementation has closely followed the project proposal. Verifiable project outputs in most cases exceeded the level expected at the time of the evaluation. The biggest weakness is in the area of developing complete action plans for participating cooperatives and in providing technical assistance and training in overall cooperative management and accounting.

b) In addition to quantifiable outputs, the Project has made contributions in human resource development, technology transfer and cooperative management. This has been done through training programs in production, packing and marketing of NTAEs, and special programs in diverse areas such as pesticide handling, agro-ecology, and business development.

c) CLUSA's linkages to recipient groups appear to be close and effective. All cooperatives interviewed were pleased with CLUSA assistance. They intend to continue and gradually expand their NTAE production.

d) CLUSA's assistance has been instrumental in helping cooperatives and exporters learn to trust each other. For example, cooperatives now understand the benefits of commission sales and other types of participation contracts. CLUSA has helped cooperatives and exporters evolve several different types of melon export sales contracts. As a result, cooperatives now have the option of signing contracts offering a combination of fixed price and commission arrangements which typically yield higher prices to the growers.

e) CLUSA's operating policy should be to provide free training and technical assistance to help introduce the cooperatives to NTAE crops. As the cooperatives reach a certain level of technical capacity to produce and export those products, they and/or their exporters and importers should be expected to pay for reduced levels of ongoing CLUSA assistance. CLUSA should, therefore begin gradually increasing the level of fees charged to existing clients.

f) CLUSA's focus is on the production and export of NTAE products. The prevailing philosophy is that the project should focus first on increasing production and yields of NTAEs as a way to generate revenue and improve the cooperative's financial position. Improved planning and financial control are not instituted until after the operation becomes profitable. However, the project was clearly expected to assist participating cooperatives to improve their overall business management and accounting systems. CLUSA should provide the overall action planning and management assistance called for in the project proposal.

Recommendations of CLUSA's internal evaluation:

a) CLUSA should develop a simple and functional program for assisting the cooperatives to develop action plans, understandable accounting systems and more effective organizational management. It may be worthwhile to re-evaluate the TechnoServe capability to assist in that activity.

b) NCBA should request USAID approval to immediately create a for-profit company, jointly owned by NCBA and selected project employees. Service fees and project assets would capitalize the company when the NTAE Project ends. CLUSA should prepare a business plan for the proposed new company to determine the services to be provided, market potential, organizational structure, and financial projections.

II. ANALYSIS

A. SUITABILITY OF PROJECT DESIGN AND IMPLEMENTATION STRATEGY

The NTAE Production and Marketing Project has four components:

- a) To bring about technology transfer by technical assistance and training of NTAE producers; linking the producers to processors and exporters, and by developing a network of agricultural service enterprises.
- b) To strengthen the marketing capability of exporters and processors by working in-collaboration with DIVAGRO¹ to create the capability in-country for quality control inspection and certification of exports, and by creating a quality assurance service for all products exported; to help exporters become familiar with U.S. Customs regulations and other requirements for exporting to the United States; to help design packing/loading systems to reduce handling damage to fresh products, and to carry out marketing feasibility studies.
- c) To carry out a modest but aggressive investment promotion campaign to identify foreign joint venture partners and link them to the Salvadoran NTAE sector, and
- d) to strengthen the administrative, organizational, and financial management capacity of El Salvador's cooperatives. In this regard CLUSA is expected to help the enterprises to action plans for the overall enterprise; to design and install accounting systems; to help bring about a functional management structure; to develop business procedures and administrative controls, and finally, to assist in the development of second-level Cooperative Associations.

Notably absent from the Project design was a credit component. However, this was most likely a strength - not an obstacle to implementation. The reason why is that it locked CLUSA into working with only credit-worthy cooperatives, which were likely to be better organized, at a higher level of administrative maturity, and therefore more likely to be successful NTAE producers. Furthermore, the requirement that the organizations themselves go through the planning necessary to obtain crop credit undoubtedly contributed to their institutional strengthening. Finally, the absence of a credit component enabled the project management team to focus on the transfer of production technology and marketing assistance to help NTAE producers and exporters, without the burden of administering a credit program.

¹DIVAGRO is the agricultural development division of FUSADES, the Salvadoran Foundation for Economic and Social Development. DIVAGRO was responsible for implementing the Agribusiness Development Project (519-0327) which ended on March 31, 1995.

The Project was designed to strengthen cooperative agribusiness management. CLUSA's approach to management strengthening is to focus on the production and delivery of a specific NTAE product and to institute crop production and management control systems as required to successfully produce and export the product. In many instances, CLUSA has also helped cooperatives strengthen their accounting systems, and to create a more effective organization better suited to non-traditional crop production and export. The cooperatives have the option of applying CLUSA's crop-based administrative systems for NTAEs in other areas, such as traditional crop production if they so desire. In all cases, however, CLUSA's assistance in management and organizational strengthening is carried out to support the production and export of non-traditional crops - not to create better managed cooperatives, per se. For example, if a cooperative produces traditional crops and livestock on 1,000 hectares and NTAEs on 10 hectares, CLUSA's assistance is geared toward the smaller unit of NTAE production.

The Project was also designed with the expectation that CLUSA should carry out "holistic" management development within the assisted cooperatives similar to the program carried out by TechnoServe. Under current implementation procedures, this is not being fully achieved. The Project design also specified that CLUSA should work with DIVAGRO to develop an in-country inspection, certification, and quality assurance service for all NTAE products exported. It was desired that CLUSA support the latter organization in its efforts to create a quality assurance program for NTAEs, initially inspired by the successful Chilean model promoted by the "Fundacion Chile". This is similar in concept to the "Good Housekeeping seal of approval" in the United States where an independent body assures the quality of a product. DIVAGRO constructed the Quality Assurance Program (QAP) laboratory as its main tool to provide quality assurance services. To be credible on a national level, however, programs of this scope require independent inspections, and the inspecting body must have the authority to inspect, and either pass or reject the inspected shipment. Furthermore, they are expensive and time consuming, and require a critical mass of products exported to pay the cost of service. Unless extremely well managed, these procedures simply add a bureaucratic layer to the export process and become a negative incentive to exporters. A possible exception might be the establishment of an official U. S. Department of Agriculture (USDA) pre-inspection in El Salvador which would avoid the need for an inspection in the United States. However, until the export of NTAEs reach a critical mass, even this is not economically feasible. In order to overcome the above mentioned obstacles, CLUSA provided inspection services in Miami and Texas and introduced the organic certified crop system to improve quality standards.

Given the present fledgling stage of NTAE development in El Salvador, a quality assurance program would be way ahead of its time, and will probably not occur in CLUSA's Project lifetime. The requirement to help create a quality assurance service is viewed as impractical, and it is recommended that it be dropped from the Project.

B. ANALYSIS OF PROJECT IMPACT

1. External Impact

The Project has already achieved most of the required outputs. Table 1 shows the progress made to date in satisfying the output levels required by the Cooperative Agreement. The figures shown in Table 1 are based on summary reports provided to USAID and to the evaluation team.

In addition to the achievement of Project outputs, CLUSA has renewed the potential for non-traditional agricultural exports. CLUSA's integrated approach to export production and marketing has brought a new category of participants to the business and has begun to instill a capacity for honest dealing among all players: producers, processors, exporters, importers and bankers. This effect transcends even the positive results demonstrated by the figures for production, income, employment and foreign exchange earnings.

CLUSA's principal contributions to the development of the NTAE sector have been the following:

- The introduction of a new dynamism into the identification, production and marketing of NTAES.
- The introduction of the concept of integrity as an economic factor: it is good business to provide quality products and service.
- The introduction of alternative production options into the traditional array of cooperative agricultural activities, and a new sense of confidence about their ability to successfully produce and market new crops.
- The introduction of alternative markets and market mechanisms in a situation previously dominated by a few exporters and processors.
- Opening a dialogue among previously non-communicative elements in the production-marketing process, and
- increasing the production and export of NTAES among all client groups.

Another illustration of CLUSA's initiative in El Salvador is its work in developing organic products and markets. There is a growing recognition that organic products are economically competitive in both the organic and the regular NTAE markets. It has been demonstrated that organic products can be produced at lower cost, with similar yields, and can be sold at premium prices in organic markets and at competitive prices in standard markets. The production of organic products provides greater flexibility to the producer, and converts many "traditional" products into NTAES, such as organic coffee. Attached Table 3 compares the production

economics for organic and traditional sesame and coffee, using average figures for CLUSA-assisted cooperatives over a two year period from 1993 to 1995. The Table shows that the economics of sesame production heavily favors the organic product, while the profitability of organically-grown coffee is about the same as the traditional crop. For coffee, reduced yields under organic production have thus far offset the benefit of lower production costs and premium market prices. However, the potential exists that coffee yields under organic production may improve in the future as the new cultural practices take effect. If this occurs, organically grown coffee would become considerably more profitable than traditional coffee.

Organic crops are also beneficial because their agricultural practices are less harmful to the environment. Furthermore, since they are more labor intensive than traditional crops they contribute to the goal of increased rural employment and greater income.

2. Impact on the Institutional Development of Benefitting Organizations

CLUSA has had a positive impact on the institutional development of the cooperatives served under this Project. One of the principal issues that CLUSA has confronted, and one of its major achievements, has been in reducing the influence of dishonest brokers and cooperative officials in the NTAE production and marketing chain. According to one produce buyer, this had reached such alarming proportions several years ago that his firm (along with others) had become reluctant to work in El Salvador at all. The buyer attributes the fact that his company is in El Salvador today to CLUSA's effectiveness in bringing about changes in the cooperatives as well as in encouraging reputable brokers to become established.

These changes took place within the cooperatives through intensive educational efforts, particularly during the period leading up to the election of the board of directors. CLUSA held weekly sessions with small groups to ensure that the members knew the role of directors, and to encourage them to elect the best candidate. This effort was successful in that it removed those directors who were willing to accept gifts from brokers in exchange for signing produce sales contracts with terms unfavorable to the cooperative. This problem has been aggravated by current legislation which calls for the election of cooperative directors every two years.

In most cooperatives, the CLUSA training team also organizes self-evaluations which follow the NTAE production season. Participants include the cooperative members who are primarily involved in crop production, along with the responsible CLUSA technicians. The group reviews the successes and failures of the production season, with a view toward making improvements during the next season. This helps establish a sense of local control over the production process, and provides real participation in the development of a practical work plan.

3. Gender impact

The project paper for the NTAE Production and Marketing Project did specifically identify women as participants and likely beneficiaries. Since the families of the cooperative members are the primary beneficiaries of the additional employment generated by NTAEs, women are among the beneficiaries. Participation by women has been primarily in weeding, harvesting, and packing NTAE products. The project paper stated that the Project should also have a positive influence on helping women gain access to management and decision-making jobs, but no specific targets were set for women as compared to men for either the amount or category of employment. As of March 31, 1995, a total of 677,000 person days of employment have been generated. Approximately one-fifth of this amount benefitted women, and four-fifths benefitted men.

In 1993 CLUSA did a study on the participation of women in non-traditional crop production. The study was carried out to better understand the situation of women and men in non-traditional agriculture, and reflects CLUSA's commitment to women's issues. While the women and men surveyed had similarly low educational backgrounds, the report shows somewhat different patterns of involvement and impact on men and women working in the non-traditional sector.

Men were older (mean age of 44 years), and much more likely to have a spouse or partner (89 %) than were the women participants (22 %). Women were, on average, 15 years younger, and nearly 80 percent had children. Nearly 40 percent of the women were single heads of household. Men were more likely than women to have permanent jobs in agriculture. Men were also much more likely than women to have received some non-formal training within the past two years. This was thought likely due to two reasons: a) because cooperative members have greater access to training opportunities, and most members are men; and b) women perceived that the training opportunities should be directed toward the literate in order that training be easily transferred to others, and apparently these were usually men.

When asked if they and their family were better off as a result of working with NTAE crops, 67 percent of the women interviewed answered positively. Men were even more enthusiastic, with a positive response of 80 percent. The report surmised that for women, work in traditional as well as non-traditional agricultural is often seasonal, where earnings are often low, and so less value was attached to NTAE opportunities than was the case for men, who typically experienced this work in addition to their other employment. The study concluded that the employment of women in non-traditional crop production is vital to the well-being of their children.

The evaluation team found that in the cooperatives visited, women were much less likely than men to be cooperative members, or to serve on cooperative administrative councils. By organizing a woman's electoral education committee, CLUSA did take steps in one cooperative to encourage women to nominate candidates and to be active participants in cooperative elections.

4. Impact on the environment

As part of its work to promote non-traditional crop production, CLUSA has assumed the role of advocate for environmental protection. Agricultural production is viewed from the perspective of its effect on the environment. CLUSA has promoted the concept of environmentally sound crop production throughout the rural sector.

The production of many non-traditional crops requires the use of agricultural chemicals. CLUSA has focused attention on the proper management of these chemicals, on the farm as well as in the home. Frequent training events have been aimed at a wide range of participants, including farmers, exporters, technicians, bankers, homemakers and employees of cooperative associations.

Environmentally compatible production has been taken a step further with the introduction of organic agriculture. CLUSA has promoted this concept to a wide audience. Conferences on organic production have been held for the benefit of CLUSA-assisted cooperatives which have been attended by representatives of the European Community (EC), the Food and Agricultural Organization (FAO), NGOs, the financial community and universities.

An important factor in organic production is the market advantage it gives to the producer. Furthermore, it offers the long range benefit of ensuring the future quality of the soil, which is agriculture's principal resource. CLUSA is placing increasingly greater importance to the production and export of organic agricultural products.

CLUSA has also initiated a reforestation program, as both an environmental and an agricultural activity. CLUSA's initiated the creation of the Asociación de Amigos del Arbol del Medio Ambiente, whose focus is on national reforestation. CLUSA has also incorporated reforestation in the farm development plans of its cooperative clients, and has seen about 500 manzanas reforested during the past three years. Reforestation and soil conservation themes are included in the training programs aimed at cooperative directors and members.

C. SUSTAINABILITY OF PROJECT BENEFITS

The development of the NTAE sector in El Salvador will be a long term process for a number of reasons: The internal effect of ten years of war on the population and infrastructure, and on the external business and investment community; an increasingly competitive export market; the involvement of new participants in both NTAE production and post-harvest activities, and a shrinking supply of financial resources for development. Given these conditions, the issue of sustainability is particularly salient for the future of NTAEs in El Salvador.

The aspect of sustainability that causes greatest concern is not the survival of current exporters, but rather the ability to sustain the progress that has been made in recent years, and to be able

to expand the NTAE sector to include the large number of potential participants. The challenge is sustainable growth, rather than maintaining the present level of exports.

The threat to future expansion is the inability to institutionalize the know-how, knowledge of the industry, market access and leadership that CLUSA has provided. Although there are several instances of well-established producers and exporters, especially in the areas of flowers, ornamental foliage and processed foods, generally the NTAE sector is in its infancy.

1. Sustainability of Export Programs

The CLUSA/El Salvador effort is not considered sustainable without continued USAID support, nor was it intended to be. Over the course of the Project, CLUSA has helped bring about export programs for new crops (organic products; sesame; marigold; watermelons) and has helped strengthen export programs for crops which were grown before CLUSA arrived in El Salvador (honey dew melons). The export programs for these crops are sustainable and will likely continue in some form, even without continued support from CLUSA.

CLUSA's emphasis on organics in the last two years has lead it to work closely with various organizations associated with organic marketing. There has been a close relationship established between El Salvador and the Organic Crop Improvement Association (OCIA), which will provide valuable contacts and assistance in the future. Among other assisted companies are Columbus and AGRODESA, both of which are involved in organic exports. The organic export program is strong and will no doubt attract, independently of CLUSA promotion, additional participants as its potential unfolds.

2. Sustainability of Assisted Organizations

Cooperatives: A test of sustainability is the ability of the cooperatives and other CLUSA-supported organizations to continue operating effectively without outside help. Over the course of the Project, CLUSA has provided substantial assistance to fifty-eight rural cooperatives, and to the institutional development of one producer's association: the Association of Organic Vegetable and Flower Growers. In the Salvadoran context, the concept of "sustainability" of cooperatives is a matter of degree - not a precise measurement. The reasons are that current government policy protects even insolvent cooperatives, and this policy distortion is compounded by the legal and political impossibility of foreclosure and seizure of land and other assets of insolvent cooperatives. The result is that many insolvent cooperatives continue to operate in one way or another, some in name only. In this regard, all CLUSA-assisted cooperatives are sustainable as institutions.

Looking at the sustainability of cooperatives as business entities, the picture becomes more cloudy. The best available indicator of sustainability of a commercial enterprise is its financial solvency. While the concept of bankruptcy is not legally applicable to cooperatives, their

financial condition is an indicator of their overall state of health. If the criterion for bankruptcy used by the Salvadoran private sector (negative net worth) is applied to the cooperatives, an estimated 34% of the cooperatives would be technically bankrupt. This estimate is based on a sample of twenty-three CLUSA-assisted cooperatives, for which information is available. It is estimated that approximately forty CLUSA-assisted cooperatives are sustainable business enterprises.

The final test of sustainability is how many of cooperatives and producer associations would continue to produce and export fresh agricultural products if CLUSA no longer operated in El Salvador.

CLUSA staff estimates that no more than six cooperatives presently have this capability.

Second-level cooperative unions: CLUSA supports the Union of Coffee Producers, Processors and Exporters (UCRAPROBEX), particularly for marketing organic coffee. CLUSA was also instrumental in creating the Association of Producers and Exporters, (PROEXSAL) as an NTAE marketing organization.

UCRAPROBEX has a strong balance sheet and a successful track record as a coffee exporter. The organization is well managed, and appears to have a bright future. This is a successful, sustainable organization.

PROEXSAL was constituted in October, 1994 by eleven founding members, including eight agrarian reform cooperatives and three second-level cooperative associations. Initial capitalization was \$C 220,000. Since its inception, PROEXSAL has received extensive support from CLUSA, and operates from offices provided by the latter organization. PROEXSAL's primary function is to assist NTAE development by providing marketing services. The organization has a permanent staff of ten people, many whom were previously employed by CLUSA. PROEXSAL is currently marketing and distributing fresh vegetables to local supermarkets in San Salvador, produced by the association of organic vegetable growers. The company is also negotiating a purchase contract for fresh onions, grapes, and apples with a U.S. exporter. The fresh products will be imported by PROEXSAL and marketed in El Salvador. During the 1994-1995 winter season, PROEXSAL provided for-fee export services to Cara Sucia cooperative for its melons shipped to the U.S. buyer, Lindemann Produce Company. For the 1995-1996 season, PROEXSAL plans to expand its melon export program to an additional three cooperatives, and to export hot peppers in brine as well as organic and traditional sesame.

PROEXSAL is CLUSA's plan for sustained marketing services in El Salvador, and responds to the recommendation in CLUSA's internal evaluation to create a commercial enterprise. However, the organization is young, inexperienced, without substantial cash reserves, and has few assets. The organization also lacks direction, and needs to define what member services it will provide over the long term. Above all, PROEXSAL needs a plan for survival after the CLUSA project ends. In its present condition, the organization is not sustainable.

3. Sustainability of Technical Assistance and Training Interventions

The final issue of sustainability of project benefits is the continuation of technical assistance and training programs after the completion of the Project Agreement. CLUSA provides these services to the cooperatives free of cost, which was repeatedly mentioned by the groups visited by the evaluation team as a major benefit to them. Discussions with cooperative members led the team to conclude that none of the groups would be willing to pay commercial rates for CLUSA services. This is a reasonable conclusion in that most of these services are "developmental" in nature, and are not commercially sustainable. However, "commercial" services (such as export assistance, or post-harvest handling) are recognized for their commercial value by the cooperatives, and are indeed sustainable.

D. PROJECT COST EFFECTIVENESS

CLUSA's method for determining Project cost effectiveness was modified slightly to meet the needs of this evaluation. CLUSA adds all costs related to project implementation which are under the control of the CLUSA/El Salvador Chief of Party, and relates the total cost to the number of cooperatives assisted, the number of hectares of non-traditional crops produced, the amount of NTAEs exported, and so on. For purposes of this evaluation, a similar calculation is made, except that the total Project expenditure is used as the basis for the calculation, including CLUSA's home office overhead, USAID-controlled costs, and those costs incurred by CLUSA's local office. From the point of view of USAID, all the items are components of the total cost of the Project, and should be considered.

The measures of cost-effectiveness calculated as described above are shown in attached Table 5. As shown, CLUSA's technical assistance program is expensive. At \$8.60 per employment day, the cost to the Project for one day of employment generated is nearly three times the average rural daily wage. However, much of this employment is sustainable, and will continue for an indefinite period. Therefore, the average cost will continue to diminish over the long run.

III. CONCLUSIONS, RECOMMENDATIONS AND LESSONS LEARNED

A. CONCLUSIONS

- The program has been remarkably successful in meeting and surpassing its targets. There has also been a qualitative change in certain export markets through CLUSA's role as an "honest broker" in coordinating export programs between brokers, producers, and exporters. CLUSA has demonstrated that integrity in NTAEs is good business.
- Recommendations arising from the pilot project have generally been followed. In the instances where they were not followed, in the opinion of this team better solutions were found. The one exception is the failure to provide a more "holistic" approach to

management assistance, in which management, planning, and accounting assistance are applied to the entire business.

- It is doubtful that the Salvadoran Producers and Exporters Organization (PROXSAL) will be sustainable by the time the NTAE Project ends. The organization is young and inexperienced, has not achieved financial self-sufficiency, and may experience conflicts of interest in trying to serve its highly varied membership.
- The promotion of organic crops makes good economic sense because earnings tend to be greater than for traditional crops. The reason is that production costs are lower since on-farm labor is used to produce organic fertilizers and "natural" pesticides at a lower cost than imported, synthetic products. For most crops, yields of organically grown crops are similar to yields obtained using traditional agricultural practices. Furthermore, market prices of organic products tend to be higher when these are targeted on small but growing "niche" markets. Additionally the team was impressed by the disciplined agricultural practices that accompanied organic agriculture (e.g. terracing), and by the use of non-synthetic fertilizers and pesticides which make the crop more friendly to the natural environment. The concept of organically grown products fits well with current market trends, especially in European markets.
- CLUSA has contributed to the institutional and development of management ability in the assisted cooperatives. However, it needs to do more to help improve the management of the cooperatives' traditional agricultural activities, as indicated in the project paper.
- CLUSA brings a much needed attitude of problem solving and innovation to NTAE production. Examples are organic activities, overcoming barriers to imports of fresh jalapeños by exporting processed product.
- Some CLUSA-assisted cooperatives are sustainable because institutions are in place and market linkages have been created so that they could continue to operate without outside assistance. Examples of these are honeydew melons, watermelons, organic products, and all crops produced for local processing and later export. About six cooperatives could continue to produce and export fresh products without outside support.
- The sustainability of CLUSA's cooperative development efforts have been severely impacted by rotation of cooperative boards of directors which results in periodic management changes. CLUSA feels that assisted cooperatives can never graduate under the present system. Unless the problem is addressed, CLUSA's work will never end. CLUSA must help its clients achieve a separation of cooperative management, which have social and political concerns, from the management of the cooperatives business. Sustainability must be created on the business side of the operation.

B. RECOMMENDATIONS

- Given that USAID assistance under the NTAE Production and Marketing Project beyond the current completion date of June 30, 1996 is still being discussed, the team recommends that CLUSA plan for its orderly close. CLUSA should also begin to identify and assign responsibilities to all entities that will continue the organization's work after CLUSA leaves (e.g. technical assistance, marketing services, and institution building), and help develop linkages with outside service organizations to provide the required services on a commercial basis. CLUSA should turn its full attention on leaving institutional structures behind and on making its clients as sustainable as possible, so that there are no shocks when CLUSA's services end.
- CLUSA should consider the entire farm as an enterprise rather than focus its' efforts exclusively on NTAEs. It makes little sense for cooperatives to be making solid gains from NTAEs if they are using these to subsidize losses on traditional crops. In order to not detract CLUSA specialists from their NTAE work, much of this management development work could be done by sub-contracting with local experts.
- The mission and role of the Salvadoran Producers and Exporters Organization (PROEXSAL) should be better defined. PROEXSAL, with only one year of existence, is still a developing organization, without a clear mission, and without a clearly defined role as an organization created to serve its members. Some of its activities may conflict or compete with its member organizations. CLUSA should help PROEXSAL develop a self sufficiency plan.
- The requirement to help create a national quality assurance program for NTAEs is viewed as impractical, and it is recommended that it be dropped from the Project.

C. LESSONS LEARNED

- When an adverse environment cannot be changed, one must change the strategy for Project implementation. The evaluation team heard repeatedly that frequent turnover of cooperative decision makers meant that CLUSA-assisted cooperatives either could not graduate, or else recommended practices would be suspended once the board of directors changed. CLUSA could have made stable management a pre-condition for providing services. Possible solutions could be to stipulate in the agreement with the cooperative that management must be stable for a fixed period of time, or that permanent steering committee would be named to manage NTAE crop production.
- Cooperative development in El Salvador requires education, not simply training. Project implementation must take a long-term view, 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 take a long time to accomplish. Follow-up assistance is required, even after "graduation".

TABLE 1 NTAE PRODUCTION AND MARKETING PROJECT
PLANNED AND ACHIEVED LEVELS
OF PROJECT OUTPUTS
(THROUGH MARCH 31, 1995)

| OUTPUTS | PLANNED | ACHIEVED |
|-------------------------------|---------|----------|
| Cooperatives Assisted | 36 | 58 |
| New Action Plans | 52 | 51 |
| Processors & Exporters | 10 | 14 |
| Off-shore Investors | 5 | 10 |
| NTAE Products Supported | 8 | 15 |
| Person Days of work (000) | 533 | 677 |
| Increase in Irrigated ha. | 800 | 417 |
| New Area Planted (Mz.) | 6,000 | 10,612 |
| Production Increase (000 lbs) | 26,146 | 64,295 |
| Beneficiaries of NTAEs | 126,471 | 183,496 |

TABLE 2 NTAE PRODUCTION AND MARKETING PROJECT

PLANNED AND ACTUAL EXPENDITURES

BY MAJOR PROJECT COMPONENT

(\$000)

| ITEM | PLANNED AMOUNT | ACTUAL AMOUNT (1) |
|------------------------------------|----------------|-------------------|
| USAID CONTRIBUTION | | |
| Salaries | 2,256 | 1,493 |
| Fringe Benefits | 489 | 422 |
| Consulting Fees | 253 | 140 |
| Travel and Transport | 729 | 413 |
| Allowances | 833 | 568 |
| Other Direct Costs | 878 | 423 |
| Overhead | 1,882 | 1,422 |
| Sub-Contracts | 344 | 133 |
| Commodities/Equipment | 950 | 705 |
| In-Country Training | 120 | 75 |
| General and Administrative Expense | 266 | 156 |
| Sub-Total USAID Contribution | 9,000 | 5,950 |
| CLUSA COUNTERPART | | |
| In-Kind Counterpart Contribution | 2,338 | 2,116 |
| TOTAL COST OF PROJECT | 11,338 | 8,066 |

(1) Through March 31, 1995

TABLE 3 **NTAE PRODUCTION AND MARKETING PROJECT**
COMPARATIVE PRODUCTION ECONOMICS
FOR ORGANIC AND TRADITIONAL SESAME AND COFFEE

| | Sesame | | Coffee | |
|----------------|---------|-------------|---------|-------------|
| | Organic | Traditional | Organic | Traditional |
| Yield (lb/mz) | 860 | 1,041 | 2,736 | 3,168 |
| Cost (\$C/mz) | 1,494 | 2,050 | 5,415 | 6,582 |
| Price (\$C/lb) | 3.58 | 2.64 | 14.56 | 13.08 |
| Net (\$C/mz) | 1,528 | 678 | 34,418 | 34,865 |

TABLE 4 **NTAE PRODUCTION AND MARKETING PROJECT**
INDICATORS OF COST EFFECTIVENESS
(FROM BEGINNING OF PROJECT UNTIL 3-31-95)

| ITEM | TOTAL AMOUNT | UNIT COST (\$/UNIT) |
|--|--------------|---------------------|
| Cumulative Project Cost | \$5,821,743 | n/a |
| Employment Days Generated | 677,000 | \$8.60 |
| Increase in NTAE area planted (ha) | 10,612 | \$548.60 |
| Increase in volume of NTAE products exported (lbs) | 64,295,000 | \$0.09 |
| No. cooperatives and small producers assisted | 58 | \$73,692.96 |
| No. exporters and federations assisted | 21 | \$73,692.96 |
| No. cooperative members | 9,600 | \$606.43 |

AN ANALYSIS OF CLUSA's RESPONSE TO THE FINAL EVALUATION OF THE PILOT PROJECT

Several specific recommendations were made by the Checchi evaluation team in their 1990 evaluation of the CLUSA pilot project. Below we address the following questions: To what extent were recommendations of the evaluation implemented? Were there subsequent conditions which made these recommendations difficult to follow? Did CLUSA find better alternatives? The issue numbers used here refer to the Checchi report.

4.2.5 The selection criteria for cooperatives that are to export fresh products should be made more restrictive, and they should be encouraged to diversify for local processing. The cooperatives selected to produce fresh export products should receive a full complement of management assistance in addition to technical agricultural assistance.

The Non-Traditional Agricultural Export Production and Marketing project is a continuation and expansion of the pilot project; the starting point of the NTAE project was the situation inherited from that pilot project. It is evident from the production data in the first quarter of the new NTAE project that it has drawn on previous client cooperatives to bridge the transition between the two. Selection of new cooperatives and farmer groups for the NTAE project then responded to need and opportunity, rather than to the blueprint presented in the evaluation. The variety of groups accepted or created by CLUSA continues to expand with the increased scope, direction and magnitude of activities it has undertaken.

The selection of cooperatives and programming of development assistance is not based on an a priori determination that their future production be destined to export or local markets. The sale of product in these markets is not mutually exclusive; rather, it reflects the degree of enterprise development of the cooperative or group, its crop mix and the quality and volume of each crop. The logical market at any point in time is dictated by the current phase of enterprise and crop development, both of which are dynamic.

Cooperative selection is a continuous process, and while CLUSA has defined initial selection criteria, it is inclined to give the benefit of the doubt to interested cooperatives; subsequent cooperative performance is the key issue for continued participation. The elimination of cooperatives which prove to be inappropriate for the program may seem to be inefficient, however, it is difficult to assess with great accuracy the potential of a group of producers which brings to the table few of the characteristics of successful export enterprises. Similarly, the technical assistance given to each group is a factor of individual needs; however, there is clear evidence that there is a strong bias toward production technology transfer, at the expense of management training at the cooperative and enterprise level. This theme will be discussed further in a later section of the evaluation.

5.1.1 The Chief of Party should be a farm management/cooperative development specialist.

The evaluation recommended that the Chief of Party of the NTAE project combine the specialties of farm management and cooperative development, with a clear orientation toward the organizational aspects of project implementation, and that the long term fruit and vegetable advisor assume responsibility for field production and product marketing. The NTAE project continued with the same Chief of Party from the pilot project. It is assumed that part of the reason for this decision was that the person was in place and, according to the same evaluation that called for the personnel change, had done a creditable job. More importantly, however, is the rationale behind the decision to stay with the incumbent Chief of Party, whose specialization and experience is in the post-harvest aspects of NTAEs.

The final selection of a Chief of Party hinged on the expertise that he would bring to the project, which, in turn, would determine the relative priority given to versus production. The choice leads one to the old chicken-or-the-egg syndrome: Can you market NTAE products that you don't have? or Should you grow NTAE products for which you have no identified market? Obviously, they opted in favor of the chicken.

The NTAE sector is market driven. The NTAE "deal" begins with identifying market demand and ends with satisfying that demand with products which conform to precise and rigorous specifications. In the context of agricultural development, the discipline of NTAEs is as foreign to the producer as the crops themselves. The experience of other programs for NTAE development supports the decision to emphasize marketing, demonstrating that reducing market uncertainty is the most critical step to success. In addition, NTAE market development in El Salvador, especially for the cooperative sector, had to overcome the obstacles that ranged from the general unstable post-war condition to the questionable reputation of many of the exporters operating when the project initiated.

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

This was done.

5.1.3 Adoption of a TechnoServe style approach to management assistance, including production, administrative and social aspects of the cooperatives, where the recipient pays a nominal fee to CLUSA.

CLUSA did not adopt the Technoserve approach.

There are two clear models for enterprise development in question. The TechnoServe model is predicated on the assumption that creating a viable management capability and structure will

permit the cooperative to make rational decisions with respect to activities and technology. The CLUSA model looks to create that capacity by example; creating first a successful production and marketing operation for specific products, which, in turn, will serve as a blueprint to the cooperative for enterprise development.

CLUSA has had an NTAE mandate from the start, which TechnoServe did not have.

The solution to the administrative problem envisioned in the evaluation was that the cooperatives hire professional management to cover the areas of administration, production and accounting, even though it could have taken several years to find suitable persons to fill these positions. Again, CLUSA's approach is more realistic and flexible than that proposed in the evaluation:

Identifying "professionals" to fill these positions may well be a long process due to the availability of appropriate persons, the economic capacity of the cooperatives to pay market wages for competent persons and the frequent changes in the governing boards of the cooperatives. Many cooperatives are capable of developing competent people to occupy these positions, therefore hired management should be an option, not an obligation for any enterprise.

In the interim, while internal management is developed or outside management is hired, CLUSA provides technical assistance which often extends into the realm of de facto management. CLUSA's approach is the simultaneous development of export production and product management capability. Yet, it is recognized, even in CLUSA's internal evaluation, that the project has not created an enterprise management capacity at the cooperative level. The difference in focus between CLUSA and TechnoServe is clearly demonstrated by the nature of the "investment" plans which each prepares for client cooperatives. TechnoServe prepares a mid-term (five year) plan which covers all productive activities on the farm, whereas CLUSA's "investment" plan is a one year production budget for each NTAE. It does not include non-NTAE activities, nor does it deal with future production periods, even in the case of perennial crops, eg. organic coffee.

The jury is still out regarding the two approaches in the context of NTAE development; neither appears to provide the whole answer. Whereas the proponents of the TechnoServe model are quick to point out that poor cooperative management has been an impediment to NTAE enterprise development and has required that CLUSA reign with a firm hand, it is equally true that TechnoServe has done little in the area of NTAEs and has been successful in creating a well managed enterprise on a small number of the cooperatives it has assisted.

5.1.4 Partial managerial assistance should be provided to the cooperatives producing only those products that are processed locally prior to exportation.

The assistance being given is consistent with this recommendation.

5.1.4.1-3 Collaboration with TechnoServe for the development of cooperative management capability.

TechnoServe was subcontracted to provide assistance through work orders for specific services. One example of this relationship was the case of assistance provided to PROXSAL. Training activities were also conducted. CLUSA pointed out that this relationship was interrupted by the end of the TechnoServe RED-II project.

By and large, there has been no cross-fertilization of methodology and focus between the two projects. In this respect, the testing of a different development model, aimed specifically at NTAEs, should be given more time to produce results.

The impetus for creating greater inter-project collaboration comes from the desire to realize economies of scale and critical mass in the cooperative sector through the alliance of USAID activities which ostensibly have the same goal: increase the role of NTAEs in the Salvadoran economy. However, the two approaches as interpreted and executed by CLUSA and TechnoServe, have demonstrated an incompatibility either in the methodologies themselves, or the personalities of project managers. In truth, it is evident that there is some of both.

5.2 Develop separate project to coordinate local producers with export markets and buyers, and promote US investment in NTAEs in El Salvador.

The CLUSA model, at the national and farm level, is a sector development model which views NTAEs in a generic and inter-related fashion. The success of the industry requires establishing an NTAE mentality and infrastructure. NTAEs are not static commodities, but rather ones which respond to today's and tomorrow's markets. The evaluation's recommendation for establishing a separate project for market operations is inconsistent with the model, and with reality. The market orientation is not just a part of the CLUSA project, it is the CLUSA project. If, at some future date, the volume of exports warrants a full-time marketing effort for establishing buyer-seller accords and the economic climate of El Salvador is attractive to foreign investors, a larger scale, specific project could be contemplated. At present, however, the CLUSA approach of simultaneously developing producers, exporters and buyers is sound.

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ANNEX IV

**MID-TERM EVALUATION OF THE
NATIONAL RECONSTRUCTION PROJECT
SUPPORT FOR TRANSITION TO PEACE IN EL SALVADOR**

(NO. 519-0394)

(CLUSA)

ACRONYMS

| | |
|------------|--|
| AID | Agency for International Development (U.S.) |
| CLUSA | Cooperative League of the U.S.A. |
| CRECER | Equitable Rural Economic Growth Project (No. 519-0397) |
| EEC | European Economic Community |
| ERP | Popular Revolutionary Army |
| FAES | Armed Forces of El Salvador |
| FMLN | Faribundo Marti National Liberation Movement |
| FUSADES | Salvadoran Foundation for Economic and Social Development |
| MZ | manzana = 0.7 ha |
| NGO | A private, non-profit, non-government organization |
| NRS | The National Reconstruction Project Support for Transition to Peace in El Salvador (No.519-0394) |
| NTAE | Non-Traditional Agriculture Export Products |
| OCIA | Organic Crop Improvement Association |
| PROESA | Association of Salvadoran Producers and Entrepreneurs |
| PROXSAL | Salvadoran Producers and Exporters Organization |
| SRN | National Reconstruction Secretariat |
| UCRAPROBEX | Union of Coffee Producers, Processors and Exporters |
| USAID | United States Agency for International Development |

NATIONAL RECONSTRUCTION PROJECT
SUPPORT FOR TRANSITION TO PEACE IN EL SALVADOR

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EXECUTIVE SUMMARY

The National Reconstruction Project Support for Transition to Peace in El Salvador¹ (No. 519-0394) is being carried out by the Cooperative League of the U.S.A. (CLUSA) in collaboration with the Association of Salvadoran Producers and Entrepreneurs (PROESA). The Project began as an unsolicited proposal submitted jointly by CLUSA and PROESA to USAID in early 1994. The approved project was attached to CLUSA's Non-Traditional Agriculture Export (NTAE) Production and Marketing Project (519-0392). The NRS Project began on May 25, 1994 and will expire on July 30, 1996, whereas the CLUSA/NTAE Project will expire on June 30, 1996. The NRS Project contributes to the goal of increasing rural incomes and employment in El Salvador through production of alternate crops and access to more lucrative markets. The purpose of this Project is to increase production and marketing of non traditional agricultural exports by cooperatives and other participating small farmers operating in rural areas most affected by the civil war.

MAJOR CONCLUSIONS

- CLUSA and PROESA have begun a process of integrating a portion of the demobilized forces into society. CLUSA has also initiated a process of strengthening PROESA to eventually assume the major role in this area.
- The ends and means of the project are confused. The stated purpose of the Project is to increase the production and marketing of NTAEs by cooperatives and small farmers. However, in light of USAID strategic objectives, the greater issue is the reintegration of ex-combatants and sympathizers into the economic mainstream with a sustained increase in employment and family income. PROESA is assisting the ex-combatants with their reintegration into civil society, and CLUSA is providing the means to do so through the production and export of non-traditional crops. If the real purpose of the Project is the reintegration of these groups into civil society, CLUSA should be given greater flexibility to pursue other options, such as relaxing the export focus and pursue more stable local markets when appropriate.
- CLUSA has never established clear-cut objectives for the growth and development of the participating groups, therefore it is not clear when they can "graduate". Without targets and mileposts against which progress can be measured, the program will become self-perpetuating.
- The only producer associations that are run as traditional production cooperatives are those growing perineal crops on a large scale: coffee and cocoa. All other organizations are loose associations of individual farmers. The loosely organized voluntary associations

¹For the sake of brevity the title of the Project will be shortened to the National Reconstruction Support (NRS) Project in this report.

are loose associations of individual farmers. The loosely organized voluntary associations which form the basis of the solidarity groups fit the "spirit of cooperation" much better than Phase I Agrarian Reform cooperatives. Since these associations are essentially service cooperatives their long term chance of success may be greater than the "top down" production cooperatives created under the Agrarian Reform program. CLUSA's focus should be to help the associations define what group functions can best serve the individuals (i.e. credit, technical assistance, joint marketing, etc.), and to help create the appropriate administrative and organizational structure to fill their needs.

RECOMMENDATIONS

- These cooperatives and groups are too weak to produce and export non-traditional crops over the long term without continued assistance from CLUSA. Therefore, the Project may not be highly cost effective. It is recommended that the "E" be dropped from "NTAE" and that the Project be given the flexibility to promote non-traditional agricultural crops either for local markets, or for export.
- It is also recommended that the project implement a comprehensive management development program to give the small producers a greater sense of their overall operation. This would focus on the whole farm as a business, not only on favored products.
- It is not likely that any of the ten cooperatives and associations currently receiving technical assistance under the Project will be able to continue unaided by the time the pilot project ends. If the momentum gained over the life of the pilot project is not to be lost, then the current pilot project will have to be expanded in some form for a normal project life of approximately five years. It is recommended that USAID and CLUSA explore reasonable alternatives for extending the period of assistance to the benefitting groups.

RESPONSE TO REVIEWER'S COMMENTS:

The draft evaluation report was circulated for review and comment to USAID Officials as well as to the management and staff at CLUSA who have been involved in implementing the National Reconstruction Support Project. In most cases the final report was modified as appropriate to reflect the information provided by the reviewers. In other cases their comments are shown as footnotes to the relevant section of the text. In all cases the evaluation team has attempted to fairly reflect the comments of the reviewer in the final evaluation report.

I. INTRODUCTION

PROJECT BACKGROUND

The National Reconstruction Support Project (No. 519-0394) is being carried out by the Cooperative League of the U.S.A. (CLUSA) in collaboration with the Association of Salvadoran Producers and Entrepreneurs (PROESA). Both organizations are private, non-profit, non-government entities (NGOs). The Project began as an unsolicited proposal submitted jointly by CLUSA and PROESA to USAID in early 1994. The approved project was attached to CLUSA's Non-Traditional Agriculture Export (NTAE) Production and Marketing Project (519-0392). The NRS Project began on May 25, 1994 and will expire on July 30, 1996, the completion date of the NTAE Project.

Similar to Project 519-0392, the NRS Project contributes to the goal of increasing rural incomes and employment in El Salvador through production of alternate crops and access to more lucrative markets. The purpose of this Project is to increase production and marketing of non traditional agricultural exports (NTAEs) by cooperatives and other participating small farmers operating in rural areas most affected by the civil war. The purpose is being achieved by increasing and improving production of NTAEs, improving and expanding NTAE marketing systems, strengthening existing linkages and developing new relationships between NTAE producers, processors and exporters, and by increasing the investments in NTAE production and marketing through a supervised credit program.

The NRS Project provides technical assistance and training in non-traditional crop production and makes agricultural credit available for delivery in a timely manner. It was designed as a pilot project for the cultivation, processing, marketing and exporting of NTAE crops such as organic coffee, chili peppers, cantaloupe, marigold, onions, and organic sesame. The Project budget was fixed at \$900,000 for twenty-seven months of effort, which includes a revolving fund in the amount of \$200,000 to provide short term credit for crop production. The focus of the Project is on emerging cooperatives and small producer groups located in previous war zones of San Miguel and Usulután. Most of these groups are composed of ex-guerilla fighters with little or no previous experience in agriculture, with no cash reserves, with no collateral, and with no private-sector credit history.

This pilot effort should demonstrate that these individuals and groups are capable of producing and marketing NTAE crops and can manage credit in a responsible manner. Participating farmers and cooperatives will benefit from increased income earned from NTAE crop sales which should stimulate savings and investment. Expected ancillary benefits include a) increased employment and income in these economically depressed areas, b) the introduction of a formal, supervised credit system serving project beneficiaries and other, similar groups, and c) the creation of a network of collaborating processors, exporters, marketers and brokers who are responsible, reliable, and trustworthy.

An important objective is that the credit component must be sustainable by the time the pilot project ends. It was originally intended that by the end of the Project the cooperatives as well as participating banking institutions would have made sufficient progress so that further technical assistance and administrative support for providing credit would no longer be required. Producers and cooperatives were expected to be technically competent in the production of selected non-traditional crops, and credit-worthy from the standpoint of the lending institution. The participating financial institutions were expected to conclude from their experience with NTAEs that the sector is not necessarily more risky than traditional agriculture, and therefore would be willing to provide continued credit to the participating cooperatives. Unfortunately, none of the commercial banks invited by CLUSA to enter into the credit program were willing to administer credit to the participating groups. It therefore became necessary for CLUSA and PROESA to assume direct responsibility for the program. These two organizations have formed a loan authorization committee which approves credit for the benefitting associations, with loan administration handled by a committee composed of PROESA and NRS Project staff. The cooperatives participate in a "managed" or "supervised" loan program wherein they receive cash for only those expenses that the PROESA administrator is unable to pay by check, such as the bi-weekly wages of hired labor. Credit policy is similar to that of a commercial bank: interest is charged at the market rate and formal applications and loan agreements are required. Additionally, before loan disbursements are made the need must be verified and approval granted by CLUSA project officers.

CLUSA and PROESA collaborate on the selection of the participants in the pilot project. Ten groups currently participate: Six are composed of ex-guerilla fighters and/or sympathizers; one is composed of demobilized members of El Salvador's armed forces, (FAES), and the three remaining groups are Agrarian Reform cooperatives which were originally created in the early 1980s but were practically destroyed by the civil war. The total area farmed in NTAE crops by the ten associations during their first full year of participation in the Project was 891 manzanas. The breakdown in area farmed by product was as follows: Organic coffee - 519 mz; organic cacao - 191 mz; black-eyed peas - 129 mz; honeydew melons - 23 mz; sesame - 20 mz; marigold - 9 mz. The area in production by individual groups ranged from a minimum of 9 mz to a maximum of 278 mz.

1. PROESA

PROESA was formed in 1992, and legalized in June, 1995. The majority of its constituency is composed of former members and supporters of the Popular Revolutionary Army (ERP), one of the five splinter groups forming the Faribundo Marti National Liberation Movement (FMLN). The organization claims to represent approximately one-third of the 7,500 ex-guerilla fighters, and a similar percentage of some 23,500 ex-collaborators with the guerilla movement.

PROESA sees its primary roles as a sourcing agency for services (credit and technical assistance) required by ex-combatant and civilian groups in zones heavily affected by the civil war. Services

are provided to renovate abandoned farms, to rehabilitate agricultural enterprises, and to repair and/or install rural infrastructure. In addition to its work with CLUSA, the foundation has a contract with the National Reconstruction Secretariat (SRN) to provide technical assistance to recently formed cooperatives in grain, cattle, and poultry production. PROESA has also assisted 34 rural groups and cooperatives to legalize land transfers arising from the peace accords, in coordination with the USAID-funded Land Bank. In addition, the foundation has assisted rural groups in the preparation of necessary documentation to participate in a number of self-help housing projects.

It is intended that PROESA will be one of the sustainable institutions when CLUSA leaves El Salvador. CLUSA has provided technical assistance to strengthen PROESA as an organization, and continues to facilitate PROESA's development through a policy of open-door collaboration on all Project activity. CLUSA's support has made it possible for PROESA to copy the former's techniques of production planning, control and agricultural extension in locations outside the NRS Project area. With the maturing of the pilot project, PROESA has begun to fill the role of full partner in almost all aspects of project administration. Once the pilot project ends, PROESA will receive the monies remaining in the revolving credit fund to continue other, similar initiatives in the economically depressed previous battle zones of El Salvador.

2. Expected Results

The following objectives are expected to be achieved by the time the NRS Project ends:

- NTAE crops will be grown on 1,050 hectares.
- Cumulative NTAE production will have reached 12,500 metric tons.
- Ten cooperatives or producer groups will be served, with a minimum total number of beneficiaries of 1,000 people.
- PROESA will be trained to manage the production, post-harvest handling and marketing of five NTAE products.

Attached Table 1 shows actual progress made toward accomplishing Project objectives after the first year of activity.

Attached Table 2 shows the actual level of expenditures to-date for each line item, compared with the budget for the entire Project.

II. ANALYSIS

A. SUITABILITY OF PROJECT DESIGN AND IMPLEMENTATION STRATEGY

The unsolicited proposal for the NRS Project was developed jointly by CLUSA and PROESA to provide for the transfer of production technology and marketing assistance to newly-formed cooperatives and producer associations in the ex-conflictive zones of El Salvador. The CLUSA "package" of technical assistance and training provided to these cooperatives is similar to that provided under the NTAE Production and Marketing Project but with the additional benefit that production credit is available. Most of the assisted organizations would not otherwise qualify for crop production credit, in light of their limited business experience and the political controversy surrounding their creation.

The Project has six components:

- a) To bring about technology transfer by technical assistance and training of NTAE producers by linking them to processors and exporters, and by developing a supporting network of agricultural service enterprises.
- b) To carry out NTAE market promotion to local and U.S. buyers, brokers, exporters and processors. Information is to be provided to processors as well as exporters about market demand and price quotations for NTAE products.
- c) To strengthen the administrative, organizational, and financial management capacity of the participating cooperatives and producer associations. CLUSA is expected to help the enterprises develop comprehensive action plans, to design and install accounting systems, to help bring about a functional management structure, to develop business procedures and administrative controls, and to assist in the development of second-level cooperative Associations.
- d) Assistance is to be provided in training and information management. Modular programs must be developed for purposes of training cooperative members and certain individuals designated as training instructors. The Project must also maintain a record keeping and reporting system to monitor the production of the participating cooperatives.
- e) A revolving loan fund was created in the amount of \$200,000 to finance the production and marketing on non-traditional crops for export by project beneficiaries.
- f) CLUSA provides administrative support to the Project. A separate NRS Project administrator was employed, and CLUSA uses established administrative systems made available by the NTAE Production and Marketing Project, at no extra cost.

Although USAID's efforts to reintegrate these groups into the mainstream of El Salvador's economy has tremendous merit and will surely play an important role in maintaining the peace, CLUSA's task appears extremely difficult. CLUSA is currently assisting cooperatives and farmers' associations with NTAE crop production and marketing under the following conditions:

- a) Crops are grown by "new" farmers, generally without agricultural experience, most of whom are experienced only in warfare;
- b) crops are grown on "new" land, which has been generally unused or under utilized for many years since it is located in previous combat zones;
- c) these "new" farmers are producing "new" crops, which are non-traditional, and therefore untried, and
- d) "new" food products are shipped to "new" markets overseas, under vigorously competitive conditions which demand extremely high product quality.

CLUSA has wisely mitigated some of the risk of these new ventures by first, promoting "organic" cultivation of coffee and cacao - both being perennial tree crops which have been grown for many years in El Salvador, yet require more disciplined agricultural practices to qualify as "organic". Secondly, the project has encouraged the cultivation of chili peppers, black-eyed peas, and marigold for local sale to processors at fixed prices, so the grower assumes none of the overseas market risk. The only venture promoted so far which has been subject to greater risk was a melon crop grown by one cooperative. Unfortunately the crop was not profitable due to weather-related production problems.

Under the watchful eyes of CLUSA and PROESA the Project appears to be performing well. However, of real concern is that the project may not be highly cost-effective in light of the length and intensity of the technical assistance which will most likely be required to move the benefitting organizations to a level of management and financial self-sufficiency where they become sustainable producers and exporters of non-traditional agricultural products. With the benefit of hindsight, it appears that the "standard" CLUSA-NTAE Project benefits package has been applied to new cooperatives and associations which started from a much lower level of development and which are working under more difficult conditions than those encountered by the mature Agrarian Reform cooperatives. Therefore, progress with these groups is likely to be much slower and the time required to achieve self-sufficiency much greater than has been the case for other cooperatives.

A reexamination of the strategy for achieving Project goals may be in order, in light of USAID's strategic objectives of creating democratic institutions and broad-based economic growth. The real issue at hand is the reintegration of the participating groups and their affiliates into the economic mainstream, and to bring about a sustained increase in employment and family income by the Project participants. The "raison d'etre" of the Project should be the reintegration of these groups into the economic fabric of the nation - and to ensure that they remain there - not to produce and export more NTAEs. In view of the stated Project purpose (to increase the production and marketing of NTAEs by cooperatives), it appears that the means and end of the Project are awry. The purpose of the Project should be the reintegration of these groups into the economy. The strategy chosen to carry out the Project is to produce and export NTAEs. Other

strategies could well be considered to bring about the reintegration of ex-combatants into the economy.

The evaluation team feels strongly that the Project's requirement to export non-traditional crops by farmer's organizations whose development needs are at such a basic level should be reconsidered. The requirement to fit the NTAE "mold" should be relaxed. This does not imply a radical change in the project concept - the simple elimination of the "E" in NTAE would suffice. The modified Project would focus on crop diversification, or the production of non-traditional agriculture (NTA) crops, either for export or for local markets. Diversified crops sold locally in substitution for imports have a similar economic impact as export crops, but are less demanding in terms of production technology, and generally carry lower market risk.

B. ANALYSIS OF EXTERNAL PROJECT IMPACT

1. Overall impact

With the exception of NTAE production, the project has already met or exceeded its end of project status (Table 1). The production target remains a formidable challenge, however. The limited progress made to date is probably a reflection of the relative inexperience that most of the ex-combatants face in working in a highly demanding export market, the badly deteriorated conditions found on some of the farms in the battle-torn areas as a result of being abandoned for 12 years, and because the producers have only been growing non-traditional crops for one year. The team was impressed by the determination of the ex-combatants to persevere in their task, and to become productive members of society.

CLUSA and PROESA may ultimately be more successful in the reintegration of the ex-combatants into civil society than in producing and exporting non-traditional crops. It seemed apparent from our interviews with the leaders of the associations that considerable progress has been made in forming cohesive groups. Because of their youth and the lengthy period of involvement in the war, many of the members have spent the greater part of their lives in a military culture, where military organization and a command structure figured largely. We heard repeatedly that for many, this new agricultural activity represents a major cultural shift toward a situation where individuals decide how to freely associate to achieve socially desirable ends. The groups have yet to decide fully which functions they wish to carry out on a cooperative basis and which they wish to pursue individually. CLUSA has much to offer in this process.

Clearly, earning a decent living is a high priority for the demobilized fighters. One might say that they are intense in their desire to make up for lost time. Many felt that they would not be able to accomplish this through the production of traditional crops, such as maize. The argument can be made that since most of these individuals are beginning essentially from zero, they should be directed toward an activity that, if successful, at least has the possibility of providing them with an adequate income. The problem, as the evaluation team sees it, is the higher level of risk

inherent in NTAEs. The team recognizes the efforts that CLUSA and PROESA are making to reduce these risks where possible, such as by selling through local processors. However we are still concerned that the inherent risk in selling fresh products for export, given market and production uncertainties, could result in financial losses which would slow or even reverse the cultural changes taking place.

The ex-combatants themselves often described the change they were experiencing as an evolution. One could envision a slightly different evolutionary scenario in which the target population begins with less demanding crops produced for local markets, and as experience and greater skills are acquired, moving into higher value products destined for export.

2. Gender impact

CLUSA's project paper for the National Reconstruction Support Project did mention women as being present in the targeted communities, although specific objectives were not set for female beneficiaries. Quarterly reports provide breakdowns of employment participation, training, credit disbursements, and beneficiaries by gender, and also report on project accomplishments which involve women.

Women have meaningful participation in project activities through several avenues. The three senior executives and most members of PROESA's staff are women. One of the Agrarian Reform coffee cooperatives targeted by CLUSA has a predominantly female membership. About one-third of the employment days generated to date under the Project have benefitted women; one fifth of those who have participated in training events are women, and just over one fourth of those who have received credit are women. There is no indication that activities related to the projects have affected the way women and men are perceived.

3. Impact on the environment

The production of many of the NTAEs call for the use of agricultural chemicals. CLUSA and PROESA have focused attention on the proper management of these chemicals through training events, and 176 men and women have participated in training on natural pest controls, integrated pest management, and the safe use of pesticides. CLUSA has included reforestation projects in its technical assistance program, as an environmental activity and also as a perineal agricultural crop. During the first year of the Project, participating cooperatives have reforested thirteen hectares. Additionally, sixty-three hectares have been included in soil conservation programs for watershed protection by the excavation of rainfall catch basins, and by constructing terraces on hillside coffee farms.

CLUSA and PROESA seem to be on track with their strategy to produce organic crops directed toward niche markets. CLUSA is pursuing a strategy which takes advantage of the dozen years of abandonment of farms in the ex-conflictive zone to obtain certified organic status by the

Organic Crop Improvement Association (OCIA) for three coffee plantations, one organic sesame unit, and one organic cacao production unit. This certification enables the producers to take advantage of a price premium, and the cultivation of organic crops generates additional employment through the on-farm production of fertilizer and natural pesticides. In addition, the crops can be grown at lower cost, and are less damaging to the environment than conventional farming practices.²

C. SUSTAINABILITY OF PROJECT BENEFITS

1. Sustainability of implementing organizations

The CLUSA/El Salvador effort is not considered sustainable without continued USAID support, nor was it intended to be. It is planned that PROESA will be the organization remaining behind after CLUSA's work ends. However, it is doubtful that PROESA will be capable of carrying out CLUSA's technical services and export marketing assistance to the cooperatives and small farmer organizations when the current pilot project ends. USAID should consider providing continued institutional support to PROESA by linking the organization with the cooperative development component of the Equitable Rural Economic Growth (CRECER) Project (519-0397). If this is not possible, USAID should consider the possibility of providing the services of a resident advisor for a period of approximately two years to help the organization develop and implement effective internal management systems, and to train a cadre of technicians with skills in the production and post-harvest handling of non-traditional crops.

2. Sustainability of assisted organizations

It is not likely that any of the ten cooperatives and associations currently receiving technical assistance under the Project will be able to continue unaided by the time the pilot project ends. If the momentum gained over the life of the pilot project is not to be lost, then the current pilot project will have to be expanded, or otherwise the benefitting cooperatives will have to be incorporated into the CRECER Project.

D. EFFECTIVENESS OF PROJECT MONITORING AND MANAGEMENT

It is evident that CLUSA and PROESA are deeply involved in the day to day activities of the participating groups in the production and marketing of non-traditional crops, and USAID is

²CLUSA took the initiative in promoting, during project design and environmental impact assessment, the elimination of the use of Category 1 and 2 pesticides by project-related producers. These pesticides are arguably the most toxic and high risk pesticides for people and the environment. CLUSA has actively sought to use Integrated Pest Control strategies that use safer and more environmentally friendly technologies, such as traps, and repellents. In addition organic control measures and farming practices have been promoted for a number of crops. All these efforts have been focused on the goal of reducing or eliminating the use of potentially harmful agricultural pesticides.

closely following their progress. The evaluation team was favorably impressed by the quality and effectiveness of project monitoring and management.

Because the NRS project is an add-on to CLUSA's main NTAE Production and Marketing Project, it also benefits from the market linkages and export promotion activities carried out by the primary Project. Project management has been more effective through linkage with other projects and institutions. For example, PROESA is working with the Union of Coffee Producers, Processors and Exporters (UCRAPROBEX), and is a founding member of the Salvadoran Producers and Exporters Organization (PROXSAL). PROESA received assistance from the Salvadoran Foundation for Economic and Social Development (FUSADES) when developing its original project proposal, which was extensively modified by CLUSA prior to being approved by USAID. PROESA also benefitted from management training provided by TechnoServe under the Rural Enterprise Development Project before the latter project ended. PROESA also benefits from other projects which it administers, such as European Economic Community (EEC) assistance for the integration of ex-combatants into civil society.

E. PROJECT COST EFFECTIVENESS

CLUSA uses a method of measuring cost effectiveness for its NTAE Production and Marketing Project which has been modified slightly to meet the needs of this evaluation. CLUSA's method is to add together all costs related to project implementation which are under the control of the CLUSA/El Salvador Chief of Party, and to relate this sum to the number of cooperatives assisted, the number of hectares in production, the amount of NTAEs exported, and so on. For purposes of this evaluation, a similar calculation is made, except that the total Project expenditure is used as the basis for the calculation, which includes CLUSA home office overhead, USAID-controlled costs, and those costs incurred by CLUSA's local office. From USAID's point of view, all these are elements of the total Project cost and should be considered. Note that the Project ends on July 31, 1996.

Under this criterion, the indices of cost-effectiveness are shown by the following table:

**NRS PROJECT INDICATORS OF COST EFFECTIVENESS
(LIFE OF PROJECT UNTIL 6-30-95)**

| <u>ITEM</u> | <u>TOTAL AMOUNT</u> | <u>UNIT COST (\$)</u> |
|---|-------------------------|-----------------------|
| Direct Project Expenses (\$) | 279,811 | n/a |
| Funds in Revolving Loan Account (\$) | 177,000 | n/a |
| Total outlays (\$) | 456,811 | n/a |
| Employment days generated (days) | 23,178 | \$19.70 |
| Increase in NTAE area planted (ha) | 623 | \$733.24 |
| NTAE production (lbs.) | 501,600 | \$0.91 |
| Cooperatives and small producers assisted | 10 | \$41,528.30 |
| Exporters and foundations assisted | 1 | \$41,528.30 |
| No. cooperative members | 4,874 | \$93.72 |

Not surprisingly, the cost per group assisted by the National Reconstruction Project is similar to CLUSA's cost per cooperative assisted under the NTAE Production and Marketing Project. However, in terms of output achieved, the NRS Project is expensive. For example, the cost of \$19.70 per employment day generated is approximately five times the average daily wage for farm labor. Furthermore, at a cost of \$.91 per pound of NTAE production, the Project cost is greater than the farmgate price of many of the crops grown. However, the output should increase as the Project evolves, and once the production on non-traditional crops becomes sustainable the benefits will continue for the indefinite future. Both factors will tend to reduce the per-unit cost.

III. CONCLUSIONS AND RECOMMENDATIONS

A. CONCLUSIONS

- CLUSA/PROESA have begun a process of integrating a portion of the demobilized forces into society. CLUSA has also initiated a process of strengthening PROESA to eventually assume the major role in this area.
- The ends and means of the Project are confused. The stated purpose of the Project is to increase the production and marketing of NTAEs by cooperatives and small farmers. However, in light of USAID strategic objectives, the greater issue is the reintegration of ex-combatants and sympathizers into the economic mainstream with a sustained increase in employment and family income. PROESA is assisting the ex-combatants with their

reintegration into civil society, and CLUSA is providing the means to do so through the production and export of non-traditional crops. If the real purpose of the Project is the reintegration of these groups into civil society, CLUSA should be given greater flexibility to pursue other options, such as relaxing the export focus and pursue more stable local markets when appropriate.

- CLUSA has never established clear-cut objectives for the development of the participating groups, therefore it is not clear when they can never graduate. Without targets and mileposts against which progress can be measured, the program will become self-perpetuating.
- The only producer associations that are run as traditional production cooperatives are those growing perineal crops on a large scale: coffee and cocoa. All other organizations are loose associations of individual farmers. The loosely organized voluntary associations which form the basis of the solidarity groups fit the "spirit of cooperation" much better than Phase I Agrarian Reform cooperatives. Since these associations are essentially service cooperatives their long term chance of success may be greater than the "top down" production cooperatives created under the Agrarian Reform program. CLUSA's focus should be to help the associations define what group functions can best serve the individuals (i.e. credit, technical assistance, joint marketing, etc.), and to help create the appropriate administrative and organizational structure to fill their needs.

B. RECOMMENDATIONS

- These cooperatives and groups are too weak to produce and export non-traditional crops over the long term without continued assistance from CLUSA. Therefore, the Project may not be highly cost effective. It is recommended that the "E" be dropped from "NTAE" and that the Project be given the flexibility to promote non-traditional agricultural crops. It is also recommended that the project implement a comprehensive management development program to give the small producers a greater sense of their overall operation. This would focus on the whole farm as a business, not only on favored products.
- Under the assumption that USAID's program in El Salvador will be reduced overall, but that a high priority will continue to be placed on the successful execution of the peace accords, it is assumed that USAID/El Salvador will want to continue its effort to support the development of these demobilized groups. In that case, the pilot project should be extended in some form for a normal project life of approximately five years. Under the expanded project CLUSA will have the opportunity to build service organizations or cooperative enterprises as needed instead of having to "retrofit" Agrarian Reform production cooperatives.

It is recommended that USAID and CLUSA explore reasonable alternatives for extending the period of assistance to the benefitting groups.

- It is also recommended that the project implement a comprehensive management development program to give the small producers a greater sense of their overall operation. This would focus on the whole farm as a business, not only on favored products.

CLUSA's recommended approach will be:

- 1) To work on the basis of a farm enterprise model to create viable businesses.
- 2) To provide the institutional support to create and develop the organization needed to provide the required services.
- 3) To transfer production technology to the participating farmers, focusing on NTA as an income generator and as a methodology for transferring production and management skills to traditional crops.
- 4) Institute a comprehensive program of management development for the management team of the service enterprises.
- 5) Establish mileposts and clearly defined targets against which progress can be measured, so that the cooperatives and producer associations can ultimately graduate upon reaching the desired level of development.

TABLE 1 **NATIONAL RECONSTRUCTION PROJECT**

SUPPORT FOR TRANSITION TO PEACE IN EL SALVADOR

ACCOMPLISHMENT OF MAJOR PROJECT OUTPUTS

| PROJECT OUTPUT | PLANNED LEVEL OF OUTPUT (ENTIRE PROJECT) | ACTUAL OUTPUT AS OF 6/30/95 |
|---|--|-----------------------------|
| Hectares on which NTAE products are grown | 1,050 | 1,065 |
| NTAE production (mt) (cumulative total) | 11,500 | 228 |
| Number of cooperatives served | 10 | 10 |
| Number of benefitting cooperative members | 1,000 | 4,784 |
| PROESA capable of managing NTAE products (No. products) | 5 | 7 |

TABLE 2 **NATIONAL RECONSTRUCTION PROJECT**

SUPPORT FOR TRANSITION TO PEACE IN EL SALVADOR

PLANNED AND ACTUAL EXPENDITURES

BY PROJECT LINE ITEM

(UNTIL JUNE 30, 1995)

| ITEM | PROJECT BUDGET | EXPENSES TO DATE |
|----------------------------------|------------------|------------------|
| AID CONTRIBUTION | | |
| Salaries and Wages | 233,350 | 97,852 |
| Fringe Benefits | 58,037 | 23,173 |
| Travel and Transportation | 52,246 | 11,134 |
| Allowances | 61,995 | 20,410 |
| Other Direct Costs | 22,911 | 23,260 |
| Overhead | 171,414 | 56,090 |
| Revolving Fund | 200,000 | 177,000 |
| Subcontracts | 6,877 | 0 |
| Procurement of Equipment | 65,150 | 50,950 |
| General and Administrative | 28,020 | 10,908 |
| Sub-Total USAID Contribution | 900,000 | 456,811 |
| CLUSA COUNTERPART | | |
| In-Kind Counterpart Contribution | 225,395 | 94,800 |
| TOTAL COST OF PROJECT | 1,125,395 | 551,611 |

ANNEX V

LIST OF CONTACTS

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Mr. Kenneth Ellis, Deputy Mission Director
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Mr. Rafael E. Cuéllar, Project Manager, Productive Enterprise Division
Ms. Ligia de Luna, Project Manager, Productive Enterprise Division
Ms. Ana Luz de Mena, Chief, Agricultural Credit and Land Transfer
Mr. Michael Radmann, Project Development Office
Mr. Anabela Palomo, Economics Office
Mr. Manuel Rosales, Economics Office
Ms. Anne Lewandowski, Environmental Officer
Mr. Luis Antonio Gonzalez, Chief, Productive Enterprise Division

IMPLEMENTING ORGANIZATIONS

FUSADES

Fundacion Salvadoreña para el Desarrollo Economico y Social (FUSADES)
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Mr. Jorge Zablah-Touche, President
Mr. Antonio Cabrales, Vice President
Mr. Eduardo Nuñez, Director
Mr. Guillermo de la Guardia, Administrative Director
Mr. Jaime Acosta R., Director, Department of Economic and Social Studies (DEES)
Ms. Vilma de Calderon, Microeconomic Studies Analyst, DEES
Ms. Margarita de Sanfeliu, Chief, Analysis and Information, DEES
Dr. Felipe Umaña, Director, Legislative Affairs
Mr. Francisco Vidri, Manager, PRIDEX
Ms. Diana Rais, Executive, PRIDEX
Mr. Mario Lewy, Director, DIVAGRO

Mr. Domingo Bermudez, La Colina Farm Manager
Mr. Javier Alvarez, La Colina Marketing Manager
Ing. Jaime Torres, Horticulturalist
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Mr. Rene Molina, Manager, Institutional Projects
Mr. Carlos Flores, Manager, Enterprise Projects
Lic. Alma Frances de Mendez, Administrator
Ing. Napoleon Puentes, Field Agronomist
Ing. Angel Ricardo Salazar, Industrial Engineer
Lic. Hamilton Erazo, Business Manger
Ing. Gabriel Rosales, Field Agronomist

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Mr. James Evans, Project Manger, NRS Project
Sr. Samuel Salazar, Subdirector
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Sr. Mario Urrutia, Manager, Agribusiness
Ing. Mauricio Salinas, Manager, Agricultural Production
Sra. Carolina de Alvarado, Administrator
Ms. Karen Schwartz, CLUSA/Washington Project Officer
Sr. Miguel Lopez, Data Management
Sr. Leonel Marques, Training Director

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Cara Sucia Cooperative
Ahuachapan Department, Municipality of San Francisco Menendez
Canton Cara Sucia
Sr. Agustin Ramos Espinoza, President
Sr. Miguel Morales, Secretary
Sr. Sigfrido Engelhard, General Manager

La Union Cooperative
Sonsonate Department, Municipality of Acajutla
Canton Metalio, Km. 94
Sr. Antonio Ruiz, President
Sr. Salvador Antonio Garcia, President

Las Tablas Small Producer Group
Sonsonate Department, Municipality of San Antonio del Monte
Canton Cuyuapa Abajo
Sr. Abraham Soriano Gutierrez, Secretary
Sr Ernesto Leon, Vocal

Las Lajas Cooperative
Sonsonate Department, Municipality of Izalco
Canton Los Lajas, Km 45
Sr. Mario Alonso Chavez, Secretary
Sr. Luis Oswaldo Salazar, Treasury

Los Planes Small Producers
Chalatenango Department
Municipality of La Palma
Raul Alberto Arriaga, Vice-President
Pedro Arriaga, Secretary

San Francisco Suchitoto Cooperative
Cuscatlan Department, Municipio de Suchitoto
Canton San Lucas
Sr. Cesar Rendon Rivera, Administrator

El Saigon Cooperative
San Salvador Department, Canton El Salitre, near Nejapa
Felix Perez, President
Jose Hernandez, Secretary

Los Achiotales Cooperative
La Paz Department, Municipality of San Pedro Masahuat
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Santa Clara 2 Cooperative
La Paz Department, Municipality of San Luis Talpa
Canton Talcualuya
Sr. Ernesto Argumedo Olmedo, President
Sr Juan Ruiz, Vice-President

Coralama Cooperative
San Miguel Department, Municipality of Chirilagua
Canton Tierra Blanca
Sr. Alberto Vasquez, President
Sr. Manuel Escobar, Vice-President

La Carrera Cooperative
Usulután Department, Municipality of Jiquilisco
Sr. Jorge Flores Campo, President
Sr. Jose Ramon Torres, Treasurer

La Merced Cooperative
Usulután Department, Municipality of Jiquilisco
Sr. Elias Lazo, President
Sr. Lucio Lobo, Vice President

San Hilario Cooperative
Usulután Department, Municipality of Jiquilisco
Sr. Francisco Chavez, Vice President

Plan de Amayo Cooperative
Sr. Santos Angel Rosales, President
Sr. Eugelio Contreras, Treasurer

Florencia Cooperative
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Sr. Saul Comejo Merino, Administrator, Coffee Processing

Nuevo San Sebastian Cooperative
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Sr. Omar Figueroa, Treasurer
Sr. Miguel Portillo, Vice President, Junta Vigilancia

Hoja de Sal Cooperative
Tonalá Cooperative

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Mr. Miguel Gallardo, Industrias Colombus
Mr. Juan Martinez, Credit Manager, Banco de Fomento
Sr. Max Magana, Agropecuaria Las Delicias
Sr. Max Guillermo Noboa, Ex-Manager, Quality Foods
Sr. Juan Manuel Alfaro, President, Cerro de Flores

SALVADORAN EXPORTERS AND DEALERS

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Mr. Richard Feldman, Production Sourcing Manager**

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Telephone 410 332 8075; Fax 410 522 2477
Mr. Harold Mannion
Mr. Marrion Wheatly**

ANNEX VI

SCOPE OF WORK

**EVALUATION OF NON-TRADITIONAL AGRICULTURAL
EXPORT STRATEGY**

I. PURPOSE OF EVALUATION

The purpose is to evaluate four (4) projects involved in the creation of a Salvadoran non-traditional agricultural export (NTAE) industry: Agribusiness Development (519-0327) implemented by Fundacion Salvadoreña para el Desarrollo Economico y Social (FUSADES); NTAE Production and Marketing (519-0392) implemented by the Cooperative League of the United States of America (CLUSA); Rural Enterprise Development II (519-0382) implemented by TechnoServe Inc.; and a sub-project of the National Reconstruction Project Support for Transition to Peace in El Salvador (519-0394) implemented by CLUSA.

In doing so, the Mission wishes to evaluate its overall strategy of promoting NTAEs as a means to create employment, increase exports and foreign exchange earnings, and in general, stimulate economic growth in the rural sector. Additionally, the strategy was to provide an impetus for the Agrarian Reform cooperatives to become self-sustaining. The Mission began implementing the strategy during the 80's and continues its effort today. The evaluation of these Projects is part of the Mission's Evaluation Plan for 1995.

II. BACKGROUND

El Salvador does not enjoy the same natural advantages as some of its neighboring countries in terms of opportunities to diversify into non-traditional agriculture. The most important advantage possessed by El Salvador's neighbors is broad expanses of highlands with temperate climates suitable to the more promising NTAEs. However, NTAEs do exist which are suitable to El Salvador's conditions. Thus far, effort to introduce NTAEs appears to have met with moderate success, but historically, success in this area has seldom been achieved easily and certainly not rapidly. The potential for NTAEs as a meaningful contributor to the agribusiness economy in El Salvador would appear to still be unproven.

It seems especially appropriate now, 15 years after land reform, to also review the logic for continuing to consider that the Agrarian Reform Cooperatives have any greater potential for large scale conversion to NTAEs than has been demonstrated already. This, coupled with the prospect of diminishing AID financial support makes it necessary to analyze the role of NTAEs as a significant component of the agricultural production of these cooperatives, and to specify which products, if any, can play a role in the rapid, independent operation of these cooperatives.

The three institutions involved in the implementation of the Mission's NTAE strategy approached the problem in different ways. The Salvadoran Foundation for Economic and Social Development (FUSADES) promoted the development of export oriented private enterprises. The Cooperative League of the United States (CLUSA) provided assistance in NTAE production and marketing to Agrarian Reform cooperatives and groups of small farmers. While TechnoServe also supported Agrarian Reform cooperatives by providing integrated technical assistance and training in NTAEs, traditional crops, livestock, organization and business management. A comparative analysis needs to be carried out on the different approaches utilized by these institutions.

PROJECT INFORMATION1) Final Evaluation of Rural Enterprise Development II Project

USAID No. 519-0382
Implementing Agency: TechnoServe Inc.
Authorization Date: 28 June, 1990
PACD: April 30, 1995
USAID Grant: \$6,500,000
TechnoServe: \$2,167,000
Total Funding: \$8,667,000

2) Mid-term Evaluation of Non-traditional Agricultural Export Production and Marketing Project

USAID No. 519-0392
Implementing Agency: Cooperative League of the United States (CLUSA)
Authorization Date: June 28, 1991
PACD: June 30, 1996
USAID Grant: \$9,000,000
CLUSA: \$2,337,875
Total Funding: \$11,337,875

3) National Reconstruction Project Support for Transition to Peace in El Salvador, Mid-term Evaluation of Sub-project

Note: The activity to be evaluated is a sub-project of this Project with the Asociación de Productores y Empresarios Salvadoreños (PROESA).

USAID No. 519-0394
Implementing Agency: Cooperative League of the United States (CLUSA)
Authorization Date: May 25, 1994
PACD: July 30, 1996
USAID Grant: \$900,000
CLUSA: \$225,395
Total Funding: \$1,125,395

4) Final Evaluation of Agribusiness Development Project

USAID No. 519-0327
Implementing Agency: Fundación Salvadoreña para el Desarrollo Económico y Social (DIVAGRO/BANFIDEX/FUSADES)

Authorization Date: 30 September, 1987

PACD: Original 30 September, 1994 Extended to March 31, 1995

USAID Grant: \$33.0 million

FUSADES: \$11.0 million

Total Funding: \$44.0 million

SCOPE OF WORK FOR OVERALL NTAE STRATEGY

1. The Mission requires an independent assessment of:

- a) The progress and impacts resulting from seven years of effort to develop non-traditional agricultural exports (NTAEs) under these Projects.
- b) What the Grantees have accomplished in support of the establishment of sustainable institutions for future development of NTAEs in El Salvador.
- c) What the Grantees have accomplished in terms of institutional strengthening and development in regards to their beneficiaries.
- d) What the Grantees have accomplished in terms of looking for funding sources other than USAID.
- e) Determine if NTAE development is still a valid strategy for USAID development programs in El Salvador

2. The evaluation team shall, but will not be limited to, answering the following questions:

NOTE: For each issue, in both the general strategy evaluation as well as individual project evaluations - the evaluators will describe their findings, present their conclusions and, as appropriate, offer recommendations to improve project performance.

- a) Did work under the projects contribute significantly to sustainable increase in temporary and permanent employment for men and women, foreign exchange, and new areas planted to NTAE crops? Are the reported sustainable levels of outputs and development impact correct?
- b) What has been the impact of these projects on the environment, e.g. rational use of pesticides, appropriate pesticide management, land use, deforestation, etc.? How have the projects approached and monitored these environmental issues?
- c) Assess the gender impact of the projects - do NTAEs provide increased opportunities for women to become active participants as employees, administrative, staff, cooperative members? Have activities related to the projects affected the way women and men are perceived? (A

USAID Gender specialist will provide support to the evaluators in this area of study, please see attachment IV)

d) Do the implementing agencies coordinate activities related to the promotion of NTAEs between themselves? (CLUSA, DIVAGRO, TNS). Is its coordination effective with producer groups, COEXPORT, MAG, other donors, and regional USAID programs?

e) Are the projects to be evaluated cost-effective? For example, USAID Mission has financed a nontraditional agricultural exports strategy in order to promote rural growth. The evaluation will determine if the activities carried out under these projects are cost-effective and when possible provide illustrations as to cost/benefit, e.g. 20 farmers growing 20 manzanas of organic vegetables, supported by 5 CLUSA technicians at a cost of US\$100/farmer.

f) According to the Mission Strategic Objective Program Tree, these projects fall under Strategic Objective #2; Broad Based Economic Growth Increased. The Evaluators will make an assessment of the Project's actual or potential contribution to the achievement of this strategic objective and its underlying program outputs.

SCOPE OF WORK BY ACTIVITY

ACTIVITY 1

Rural Enterprise Development II (TechnoServe)

BACKGROUND:

TechnoServe, Inc., is a private, non-profit organization which provides technical assistance to cooperatives and rural enterprises and has been active in El Salvador since 1975. In May 1986, A.I.D. entered into a cooperative agreement with TechnoServe to support the development of cooperatives with emphasis on those formed under Phase I of the Agrarian Reform Program. This Project successfully closed operations on May 31, 1990 and its activities continued under Rural Enterprise Development II which began June 28, 1990 and continued until April 30, 1995.

TechnoServe provides technical assistance (administrative, technical, managerial and accounting) for: 1. Phase I and Phase III Cooperatives in farm management, accounting, production, marketing and social development; 2. cooperatives in the traditional sector, including those created prior to the Agrarian Reform; and 3. GOES and Private Sector Institutions.

Specific Tasks:

The evaluation team will thoroughly review the Cooperative Agreement along with relevant project documents including quarterly and semi-annual reports, diagnostic studies, business plans

and previous evaluations. This will be followed by in depth discussions with AID and TechnoServe officials and site visits to assisted cooperatives.

The evaluation team will report its findings, present conclusions that are based on the findings, point out examples of noteworthy accomplishments, lessons learned, and recommend improvements based on the overall evaluation exercise. Finally, the team is expected to list and thoroughly discuss any other factors that may result in modifications to the Project within the context of the new peace environment.

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

- 1) List all targets and activities, assess progress toward achieving targeted outputs and activities, and note problems encountered in reaching targets. What criteria is used to select targeted cooperatives? Are the targets being met? Do the clients value the assistance? Do they follow recommendations? Are targets attainable?
- 2) Quantify and describe the progress made by Cooperatives of the Phase I and Phase III of the Agrarian Reform, and cooperative enterprises outside the agrarian reform sector, assisted by TechnoServe in terms of obtaining the self-management status. Are there documented improvements in the management of cooperatives as a result of project assistance? Is TNS providing assistance in NTAES development among enterprises assisted?
- 3) Assess the impact of TechnoServe's assistance to improve the capability of assisted federations of cooperatives to transmit appropriate technology to member cooperatives. Is TechnoServe's training program adequate? Are member cooperatives adopting the proper technology?
- 4) Assess TechnoServe's organization and its capability to handle other technical assistance activities outside the Project. Is TNS' accounting system handling other activities outside the Project in a separate form? Is Project financed personnel involved in other TNS activities outside the Project? Are Project vehicles and equipment involved in other TNS activities outside the Project?
- 5) Assess the impact TNS has had on the overall agriculture sector, and on agricultural-exports. Are TNS-assisted cooperatives more productive than the others? How many new additional cooperatives and rural enterprises are good candidates for TNS assistance? Is TNS capable of expanding its assistance to other cooperatives in the ex-conflictive zones?

6) Assess the convenience that TechnoServe could increase the assistance for developing self managed enterprises in other non organized groups such as demobilized persons in the rural areas.

7) Assess TNS capacity of becoming a self sustained institution. Does TNS have a self sustainability Plan? Is it technically/financially feasible? Could TNS continue its assistance to the target groups after AID assistance has terminated? What is TNS relationships with other donors? What further actions should TNS take to insure its self sustainability? Please see attachment V for USAID sustainability issues (This also applies for DIVAGRO/ FUSADES).

ACTIVITY 2

Non-traditional Agricultural Export Production and Marketing Project (CLUSA).

BACKGROUND:

Exports of traditional agricultural products decreased in volume during the 1980s. Faced with the negative impact this trend had on Agrarian Reform Cooperatives, CLUSA conducted a study to determine alternative production activities. This study was used to design a project to forge linkages between Agrarian Reform Cooperatives and processors/exporters/buyers nontraditional agricultural export (NTAE) products. Mission strategies, as well, identified NTAE as essential to achieve the goal of increasing employment and foreign exchange earnings in El Salvador, at the same time promoting a better economic environment for its inhabitants.

USAID/El Salvador approved a pilot project in August 1988, implemented by CLUSA which ended January 31, 1991. In August 1990, the project was evaluated by an external consulting firm. The evaluation report recommended that "...the pilot Cooperative Production and Marketing Project be expanded into a full project for a period of not less than four years, incorporating the lessons learned in this pilot project."

On June 28, 1991, USAID/El Salvador signed a Cooperative Agreement with CLUSA, the purpose of which was to increase the production and marketing of non-traditional agricultural exports (NTAEs) by cooperatives and other smallholder organizations. This would be achieved by increasing and improving production of NTAEs; improving and expanding the NTAE marketing systems; strengthening existing and developing new linkages between NTAE producers and processors/exporters; and promoting investment in NTAE production and marketing.

Specific Tasks:

The evaluation team will become familiar with CLUSA's activities over the past four years through interviews with CLUSA officers, cooperative members, small farmers, government

officers, cooperative associations, private companies; conduct site visits; and study available documentation such as the Cooperative Agreement and its amendments, semi-annual reports, etc.

The evaluation team shall, but will not be limited to, answer the following questions:

- 1) To what extent were the recommendations from the final evaluation of the pilot project implemented by CLUSA? Were there conditions after the evaluation that made these recommendations difficult or impossible to implement? Did CLUSA identify better alternatives than the ones suggested in the final evaluation?
- 2) How has CLUSA assistance affected the institutional development of the cooperatives served under this project? How have the cooperatives benefited in the areas of management and organizational strengthening?
- 3) What accomplishments has the Grantee achieved in supporting the establishment of sustainable institutions/companies for future development of NTAEs in El Salvador?

ACTIVITY 3

National Reconstruction Project Support for Transition to Peace in El Salvador.

BACKGROUND:

The Cooperative League of the USA "CLUSA", d.b.a. National Cooperative Business Association "NCBA", in collaboration with PROESA (Asociación de Productores y Empresarios Salvadoreños), a local nonprofit economic development foundation based in San Salvador, presented an unsolicited proposal for nontraditional agricultural export (NTAE) development in the exconflictive areas for a separate but related activity to CLUSA's ongoing Non-Traditional Agricultural Export Production and Marketing Project, which had brought together all the necessary elements of a successful NTAE project - individual producers and cooperatives, processors, exporters, and U.S. buyers. However, these efforts were focused in areas that were not in conflict during the war.

Since a peace agreement was reached between the Government of El Salvador and the FMLN on January 16, 1992, the ex-conflictive areas of the country were in need of assistance as they returned to normalcy. Given USAID's direct involvement in the exconflictive areas through the financing of the land transfer program, this "pilot" NTAE Production and Export project for the exconflictive areas directly supported that initiative. So CLUSA, working with PROESA, provided technical assistance to producers, producer groups and cooperatives to cultivate, process, market and export non-traditional agricultural crops grown on lands transferred to them as an outcome of the Peace Plan.

Specific Tasks:

The evaluation team will become familiar with the CLUSA-PROESA activities through interviews with CLUSA officers, cooperative members, small farmers, government officers, cooperative associations, private companies, etc.; site visits; and study of available documentation such as the Cooperative Agreement and its amendments, semi-annual reports, etc.

The evaluation team shall, but will not be limited to, answer the following questions:

- 1) How has CLUSA assistance affected the institutional development of the cooperatives and served under this project? Are the cooperatives better managed/organized after CLUSA assistance?
- 2) What has the Grantee done in order to support the establishment of sustainable institutions/companies for future development of NTAEs in El Salvador?

ACTIVITY 4**Agribusiness Development Project (DIVAGRO/FUSADES)****BACKGROUND:**

The Fundación Salvadoreña para el Desarrollo Económico y Social - FUSADES (Salvadoran Foundation for Economic and Social Development), is the private sector implementing agency for various Mission programs promoting non-traditional exports. Its PRIDEX unit promotes drawback and light industry for export. A credit subsidiary, now a formal commercial bank, BANFIDEX, administers FUSADES credit funds coming from USAID projects and offers long-term loans to eligible Salvadoran exporters. DIVAGRO, the subject of this evaluation, is the technical assistance arm for promoting new crops and aquaculture (an activity incorporated into the project on July 1989). Also, at the same time, a Quality Assurance Program (QAP, Laboratory) was integrated into the project to complement the NTAE activity.

During the last two years, important steps have been taken by DIVAGRO/QAP/FUSADES toward sustainability. The QAP has promoted its services to the local and Central American market and is involved in the production of colored Callas bulbs, through its Tissue Culture Division. FUSADES has bought two adjacent farms to generate income through the plantings and sale of pineapple, ornamental and vegetable seedlings. Commercial pineapple production and exports started on November 1994 and is the key element for the sustainability phase of DIVAGRO. Substantial funding was devoted to the development of this activity in 1994.

The evaluation team will become familiar with DIVAGRO's and QAP activities over the past seven years through interviews, site visits, and study of available documentation, with emphasis on the past two years since an evaluation was performed on June 1992.

Specific Tasks:

The evaluation team must, but will not be limited to, answer the following questions:

- 1) Were the recommendations from the mid-term evaluation (June/1992) implemented wholly or partially by DIVAGRO/QAP/FUSADES? Were there conditions after the evaluation that made the recommendations difficult or impossible to implement? Did DIVAGRO look for better alternatives than the ones suggested in the mid-term evaluation?
- 2) Has DIVAGRO/QAP/FUSADES committed itself to realistic financial plans to sustain core services as USAID funding finishes? Does DIVAGRO/FUSADES have the institutional capability to continue each of its services (field research, market promotion, investment generation, ag extension, lab services, etc.) after PACD and beyond?
- 3) What are the present and recommended models for DIVAGRO's technology transfer? How can DIVAGRO's information services and field technology transfer be more effective?
- 4) What are DIVAGRO's present and future recommended roles for NTAE promotion in El Salvador?
- 5) What has DIVAGRO accomplished to date in regards to involving small producers in the production of NTAEs in its "Polos de Desarrollo"?

III. METHODS AND PROCEDURES

The Contractor shall work a six-day week under the supervision of the USAID/El Salvador Productive Resources Office (PRO) Director or his designee.

Field work will include interviews and site visits with recipients of DIVAGRO, CLUSA and TechnoServe technical assistance and/or training; with agronomists and technical staff from the three institutions mentioned above and with management personnel. Access to data sources and arrangements to gather data will be facilitated by USAID.

The Contractor shall certify that under the Executive Privilege Procedure of the United States Government (USG), no copies of any documents prepared or obtained in the process of this

assignment will be made available to any person(s) or institution(s) without the prior written approval of USAID/El Salvador.

EVALUATION TEAM COMPOSITION

The Evaluation Specialist will serve as team leader for the Contractor. He/She must have extensive experience in analyses and evaluations of Latin American USAID funded projects in investment promotion and/or agricultural development. His/Her work history should include strategic planning and financial/economic analyses, with at least one prior assignment as team leader.

The Agricultural Extension Specialist must have an advanced degree in one of the agricultural disciplines and at least 5 to 10 years of experience in the design and/or evaluation of agricultural research and extension programs in Latin America, with emphasis on NTAE production and marketing. He/She must be familiar with technology transfer for commercial horticultural production.

The Cooperative Development Specialist must have at least eight years of experience in organization and/or management of agricultural cooperatives. At least five years of the cooperative experience should have been in developing countries, preferably in Latin America. He/she must have a proven record assisting groups of farmers establish farmer owned business to take advantage of marketing and production opportunities. Familiarity with the El Salvador Agrarian Reform would be especially helpful.

Team members should have at least Level Three fluency in the Spanish Language (FSI S-3/R-3). One manager per Project (CLUSA, DIVAGRO and TNS) with English ability will participate as an aid to the evaluation team.

SCHEDULE AND LEVEL OF EFFORT

The work is scheduled to begin by July 3, 1995 and to finish six weeks later. A six-day work week is authorized. One week preparation time prior to coming to El Salvador will be needed for a literature review in relevant areas: lessons learned from other countries/projects in NTAE, organizational approaches or models and what constitutes successful NTAE development. The two initial days in-country will be devoted to preparing a detailed work plan. On the third day, the plan shall be presented to the Mission Evaluation Committee (MEC) for review and approval.

Completion of this evaluation will require an estimated ninety six (96) person-days of Contractor effort, plus an estimated ten (10) person-days to be contributed by one CLUSA, DIVAGRO and TNS managers. Estimates of level of effort by the Contractor's team members are as follows:

| <u>Consultant</u> | <u>person-days</u> |
|--|-----------------------|
| Team Leader & Evaluation Specialist | 36 |
| Cooperative Development Specialist | 30 |
| Agricultural Extension Specialist ⁵ | 30 |
| Total estimate | <u>96 person-days</u> |

REPORTING REQUIREMENTS

a) Within three (3) days of arrival in-country, the team shall submit to the MEC a detailed work plan, including intended site visits, for USAID review and approval.

b) Draft report. Five (5) work days before leaving El Salvador, the chief of party shall give USAID three (3) copies in English of a draft report. The Contractor will participate in a MEC review of this draft, two days (2) after the submission of the draft. The evaluator will use comments, both written and oral, from this meeting to revise the draft. The Contractor shall incorporate the suggested comments and recommendations into a final acceptable draft to be left with USAID prior to departure.

c) Final report. Within four weeks of receipt of USAID comments, the Contractor shall draft a final report with substantive changes and send ten (10) copies in English and five (5) copies in Spanish to USAID.

The evaluation report shall include the following sections:

- Executive Summary: Including purposes of the evaluation, methodology used, findings, conclusions and recommendations. It will also include comments on development impact and lessons learned. It should be complete enough so that the reader can understand the evaluation without having to read the entire document. The summary should be a self-contained document.

- Scope of Work and Methodology: A copy of the initial scope of work and a detailed outline of methodology used will be included. Any deviation from the original scope shall have prior USAID written approval.

- Evaluation Team: A list of the evaluation team members, including host country personnel, their field of expertise and the role they played on the team.

- Evaluation Findings, Conclusions and Recommendations: In a separate section of the report, to be readily located. Recommendations should be priority actions that can be taken by the USAID and implementing entities.

- **Previous Evaluations**: These must be discussed. This shall include a brief description of conclusions and recommendation made in the earlier reports. The evaluator shall discuss briefly what use was made of previous evaluations in the present review of the project.
- **Lessons Learned**: This section must describe the causal relationship factors that proved critical to project success or failure, including political, policy, economic, social and bureaucratic preconditions within the host country and USAID.
- **Paginated Table of Contents and Appendixes**
- **USAID Evaluation Summary**: USAID will provide forms and appropriate guidance for the submission of this task.