

PD-ABM-899
2000

PROJECT ASSISTANCE COMPLETION REPORT

I. BACKGROUND DATA

A. Project Number and Title: 515-0235 "Northern Zone Consolidation"

B. Implementing Agencies:

CARE	\$1.0 Million c200.0 Million (LC)
AMV	\$437,000 c188.0 Million (LC)
ACDI	\$882,888
AGRIDEC	\$1,144,932 c12.0 Million (LC)

C. Date of Obligation: August 22, 1988

D. PACD: Original: August 31, 1993
Last Revised: March 31, 1995

E. Amount Obligated: \$5,150,000
c400.0 Million (LC)

F. Total Expenditures: \$5,059,882
c393,604,716 (LC)

G. FCC: \$14,110,000
c400.0 Million (LC)

AMV: Asociacion de Mantenimiento Vial
ACDI: Agricultural Cooperative Development International
AGRIDEC: Agricultural Development Consultants

I. PROJECT GOAL

The goal of the Northern Zone Consolidation Project was to improve the socio-economic growth of Costa Rica's Northern Zone through the use of underutilized agricultural lands, the more efficient and diversified use of the region's agricultural resources and improved access to markets and services.

II. PROJECT DESCRIPTION

A. Major Outputs and Accomplishments

1. The major outputs were:

- a) Graduating farmers from a traditional subsistence economy to a production and marketing oriented economy.
- b) Intensify and diversify non-traditional agriculture production and improve the marketing linkages between agribusiness and limited resource farmers in a very specific area of Costa Rica.
- c) Provide agricultural credit and technical and managerial support to several growers associations in small local communities.
- d) A self-sustained road maintenance and rehabilitation organization was established. A regional road maintenance and rehabilitation system is in place, providing improved access to markets and services.
- e) Strengthen local entities in their efforts to improve basic social infrastructure.
- f) Strengthen the GOCCR's national efforts in the project area to consolidate land settlement development activities through titling and effective socio-economic integration of settlers into local and national socio-economic structures.
- g) Establishment of a local office in charge of assessing the environmental impact of project implementation actions/activities and planning-supporting and if necessary, implementing the necessary mitigative measures.

2. Final Outputs:

- a) Agricultural Development Consultants (AGRIDEC)

An institutional contract between AID and AGRIDEC was signed for the provision of the project's environmental management services. A major function of the advisor was to carry out project supportive

activities in the areas of environmental education and training. As a result of this, the Oficina de Manejo Ambiental (OMA), was created and provided directed by the environmental project advisor:

Major results of this effort are:

- i. The general population of the zone (approximately 45,000 people) is more aware of environmental problems, and several important initiatives have begun to show. There are several "ecological clubs" in the area and various organized and trained volunteer groups that work closely with the authorities in the protection of natural resources; there is an increased capacity in several institutions to evaluate environmental impact and to detect problems; there is a growing body of basic environmental literature available to the public, and public is beginning to use it. All of these changes can be directly attributed to the work of OMA and the support it has received by various institutions and organizations.
- ii. There is an increased technical capacity to detect and resolve health problems associated with environmental degradation (such as pollution of streams and rivers, water supplies, and soils). However, the institutions in charge of monitoring and resolving such environmental problems, (Ministry of Health and Ministry of Natural Resources and Energy) are still underfunded to be effective in their newly acquired environmental skills.
- iii. Formal education (elementary and high school) have acquired a variety of tools to address environmental issues (laboratory equipment, libraries, training courses, and overall technical capacity).

In all, the northern zone is beginning the process of becoming environmentally literate and, more important, beginning to use this knowledge in addressing their development problems. However, as it is often the case, this knowledge arrives too late to be effective against decades of irrational use of natural resources.

- b) Agricultural Cooperative Development International (ACDI) and the Asociación de Mantenimiento Vial (AMV)

The Northern Zone Consolidated Project (NZCP) included a component to develop a self-sustaining private sector mechanism for the maintenance of feeder roads in the Project area. Road rehabilitation and maintenance was a serious constraint to the economic development of the region. Rather than create a parastatal institution to care for these roads, the NZCP envisioned a private, non-profit entity which could deal effectively and efficiently with road rehabilitation and

maintenance. That entity, the "Asociación de Mantenimiento Vial" (AMV), now has legal standing. It is controlled by affiliates chosen from 53 local development associations and 4 municipalities in the Project area; a Board of 8 Directors is responsible for its actions.

Using annual workplans approved by A.I.D., AMV (a) provided periodic routing maintenance to 420 kilometers of gravel secondary roads in the project area, and (b) rehabilitated 150 kilometers of gravel road which have deteriorated from lack of routine maintenance.

As a project complement, \$2.0 million in tool sets were purchased and donated to 15 communities within the project area.

ACDI assisted the AMV and facilitated the development of AMV into a self-sustained private sector business for the maintenance of gravel feeder roads in the area.

The general opinion is that, the AMV is currently far more successful than anyone thought possible. They have contract bookings through the end of 1996. They have the confidence of the Ministry of Planning (MIDEPLAN), The Ministry of Public Works and Transportation (MOPT), the National Emergency Commission, the municipalities and the national legislature, all of which continue to provide them road and bridge contracts, not grant funding. They are operating a model drainage pipe factory using their own and MOPT funds, along with pipe molds donated by the GTZ (AID) of Germany. This has reduced their pipe cost by 60% while creating 10 jobs beyond their basic staff of about 20.

AMV managers know their operating costs per day and per kilometer, and they have a state-of-the-art customized computer accounting system provided by ACDI. They are turning away work and are maintaining their standards of quality and price. They own their equipment, office and shop free and clear, with a total value of about \$700,000. They have an equipment maintenance trust fund of about \$90,000, created at the instigation of ACDI, and a separate operating reserve of about \$120,000. Their operating budget for maintenance projects and overhead in 1995 is about \$910,000, all of which is funded by various agreements, which will allow them to increase their operating reserve at year's end by a projected 50%.

The AMV is still subject to possible future threats: loss of the current outstanding management to higher paying jobs in the city, political interference on the board, manager burnout, political or legal reprisals from competing private contractors, or the inability of the GOCR to

continue hiring their services. None of these seem to be serious threats in the near term.

c) CARE

CARE Costa Rica became involved in the NZCP during 1991, when the institution was approached with a request to take over the organization of the production of plant material to be used in the Agricultural Diversification component of the project.

The first agreement between CARE and USAID was signed in October 1991, which included collaboration with a local consulting company called SISSTEMS. Later, the agreement was expanded and CARE assumed the responsibility for the implementation of the Agricultural Diversification Program.

All the planned actions/activities implemented by CARE costa Rica from late 1991 to early 1995, has to a large extent fulfilled all the project objectives outlined in the agreements signed with USAID. The project responded to the great expectations that were raised, and has left a sustainable impact in the project area. The participants in the credit Committees, the heart-of-palm and pineapple farmers and their families will continue to benefit from the project long after that CARE finishes its presence in the region. A local fountain (FUNDECA) has been established as a functional tool for the farming communities that provides them with markets for their products and access to reasonable and flexible credit, and represents them on a regional and national level.

AID/CARE investment in the Northern Zone project has been considerable, but is easy to quantify; ₡200 million colones in local currency for credit funds, and US\$1 million for operating costs. In addition comes the resources, cash and others resources contributed by CARE, and the cost of project supervision by AID.

The most important project positive results obtained in the cantons of Upala and Guatuso, include the following: a. large extensions planted with perennial crops, b. Credit Committees established and successfully operating in 33 communities, c. an umbrella organization able to make use of approximately ₡180 million (colones) to support additional financing to the local communities, d. 600 families trained in the hazards of pesticides and the possibility of using biological control as an agricultural alternative, e. a group of women have increased their self esteem and are now more involved in the community's decision making process.

B. Overall Status and Lessons Learned

1. AGRIDEC: Environmental Component

- a) The environmental degradation of the northern zone still continues unabated. Deforestation is still a problem, soon to be solved not because people, industry or government are more aware of the problem (which they are) and act upon it, but because the resource itself (the forest) is almost completely gone by now. It is estimated that over 80% of the lowland rainforest of the zone has been eliminated, and of the remaining patches, very few are under some kind of protection or some management regime.
- b) The environmental component of the NZCP suffered through a series of changes throughout the life of the project. From an initial Environmental Management Advisor, whose job was basically to incorporate environmental concerns in most aspects of the NZCP activities, the environmental component evolved into a fully outfitted, semi-independent Environmental Management Office, with a large portfolio of projects and a solid position - and mission - in the zone and within the project. However, it is believed that a lot of time was spend (and wasted) in realizing that the environmental portion of the NZCP was one of the most critical segments, and that the project required a stronger environmental office in place.
- c) Perhaps, the most important lesson learned from the environmental and natural resources conservation perspective, is that development and conservation are not two separate and conflicting areas, but two aspects of the same issue. Development without environmental concerns accounted for is unsustainable and deleterious in the long run for the country's economy. This is not a new issue, but it has been slow to incorporate it in the regular scheme of development in Latin America, and, while it was part of the initial project design for the NZCP, it was not efficiently incorporated into its structure and implementation.
- d) Environmental Education is a key issue in the region. However, the process of increasing the environmental education of the people (educators, students, and their families) should be an ongoing, permanent process, not a series of disconnected projects. Until this is fully understood and incorporated in the educational system, environmental education will continue to be a "second class topic".

2. ACDI and AMV: Road Maintenance and rehabilitation and business Administration Development.

The AMV has established its business base in the region according to the following criteria:

- Contract Distribution - should be equitably distributed between populations and districts within the operational area of the AMV;
- Economic capacity of the requesting communities;
- Season of the year;
- Geographic distribution of works to be contracted and likelihood of achieving economies of scale by concentrating activities;
- Availability of materials;
- Availability of contractor(s) to execute the work; and
- Social and economic impact;

The communities interested in having a contract commit themselves to provide 10% of the projected costs prior to the signing of a contract for rehabilitation of the roads is a vital key for future local input for road maintenance. Half of the communities commitment will be paid up-front.

ACDI support and involvement was a key aspect in the AMV consolidation.

ADCI was hired by AID for three weeks to carry out a planning exercise with the AMV in September, 1991, resulting in their first business plan.

At the beginning of this project, in early 1992, the prevalent opinion in the AID Mission was that the AMV would do some road work and disappear, but at least the road work would remain, justifying the AID investment, and the municipalities would salvage some equipment. This thinking was confirmed in an AID-sponsored evaluation of the AMV, by a team led by Howard Harper, dated December, 1991.

Obviously, problems were solved and lessons were learned along the way. Some problems were solved as planned, while others developed surprising solutions counter to the original ACDI plan. Some key problems are not yet fully solved, such as the occasional attempts at political interference with the AMV's board.

The AMV board of directors has experienced leadership from both major parties, who keep getting re-elected, and they continue to dodge the bullet of pressures by politicians of questionable methods, from either major party, who would eliminate the strong bipartisan tradition of cooperation on the board. The AMV board continues to require local community financial participation, cash in advance, with projects scheduled on a first-come, first-serve basis, and there is a long waiting list.

It is now clear that the principal challenge of an AMV is organizational and administrative. The technical part is carpentry, not architecture. The main elements are how you get the community to work together, attract local and central government funding, administer the resources responsibly, and program the road work in the field. The only main element in place in May, 1992, when ACDI began work, was the exemplary way the community was working together.

The AMV is now socially integrated into the road building community, and there is general approval at high levels of their private sector, community-based organizational structure. Technical ability and funding alone are not sufficient in this setting. It is necessary for the AMV managers to create lasting linkages between the AMV and key individuals in the Costa Rican road building, technical and political community. If this linkage is created and it is well maintained, the organization will have a very positive business perspective for the coming years.

3. CARE

Some lessons learned can be synthesized from the northern zone consolidation project.

- a) The importance of sufficient credit funds. If a donor wants considerable impact and a consolidated credit fund within the time frame of project implementation, it is mandatory to provide adequate funds, not only the so called "seed money". In the 33 Credit Committees in the project area today, there is sufficient funding to maintain the interest in the fund, and to attract additional capital. Through the establishment of a farmers organization early in the project, the sustainability of some project activities was assured. This gave CARE enough time to provide pertinent training to staff and board members, and most important, it gives the organization time to reach a certain maturity. Every organization must commit errors and learn from them, and time to establish a certain institutional tradition, or *modus operandi*. ("In our organization, we use to do things this way...") The organization must define which are the project activities that corresponds to their sphere of interest and responsibility. The independence of the new organization must be promoted from an early point in the process, even if this makes some action slower, and more complicated. The new NGO must continue a thorough process of institutional strengthening for years, which means not only providing training in accounting, project design and how to maintain records, but a continuous process of follow up, analysis, and support. Finally, at some point it is useful to lead the organization through a strategic planning process.
- b) In order to reach the objective of crop diversification and export crop promotion, the strategy of limiting the credit funds to only certain,

approved activities showed effective. Without this policy, large sums would have been invested in cattle, beans and other traditional activities in the area, leaving less funds available for heart-of-palm and pineapple.

- c) To work hard and systematically in the area of community organization is of extreme importance for a project that aims at constructing a coordinated marketing system, or a communal credit facility. If the community doesn't count on stable, generally trusted communal organizations, the work is far more complicated, and the results much more fragile. In this project, a initial community diagnostic was never done, having as consequence that some activities were not planned in concurrence with community priorities.
- d) It is important to point out that the project's goals on the number of hectares to be planted were quite optimistic. A critical factor in an agricultural project, is to depend on plant production from private or communal nurseries. This can put the entire project implementation in jeopardy. During the two agricultural seasons included in the NZCP, none of the local nurseries came-out close to the production numbers they had signed for. Even with a safety margin of 30% the production did not reach the targets.
- e) The implementing NGO must have good systems for credit management and supervision. In this project, CARE transferred to the credit committees a proven system which works, and irregularities were discovered and corrected immediately. The extension agents were trained by personnel which had several years of experience with the system, and support staff was always available.
- f) It is of great importance to focus the project goals and the complimentary activities around a few, well defined objectives. In the case of this project, the objectives were not very clearly defined, but the focus on the three crops and the credit fund made it easy for project staff to establish priorities. Even so, during the first project's stages some additional activities like school nurseries, gardening and composting were tried, with minimal results. Therefore the overall experience learned is that trying to do to much in one project sometimes does not produce the best results.

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