

A.I.D. EVALUATION SUMMARY - PART I

PD-ARM-938

1. BEFORE FILLING OUT THIS FORM, READ THE ATTACHED INSTRUCTIONS. 90614  
 2. USE LETTER QUALITY TYPE, NOT DOT MATRIX TYPE.

IDENTIFICATION DATA

<b>A. Reporting A.I.D. Unit:</b> Mission or AID/W Office <u>USAID/Honduras</u> (ES# <u>FY95-4</u> )	<b>B. Was Evaluation Scheduled in Current FY Annual Evaluation Plan?</b> Yes <input type="checkbox"/> Slipped <input checked="" type="checkbox"/> Ad Hoc <input type="checkbox"/> Evaluation Plan Submission Date: FY <u>95</u> Q <u>1</u>	<b>C. Evaluation Timing</b> Interim <input type="checkbox"/> Final <input checked="" type="checkbox"/> Ex Post <input type="checkbox"/> Other <input type="checkbox"/>
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D. Activity or Activities Evaluated (List the following information for project(s) or program(s) evaluated; if not applicable, list title and date for the evaluation report.)					
Project No.	Project / Program	First PROAG or Equivalent (FY)	Most Recent PACD (Mo/Yr)	Planned LOP Cost (000)	Amount Obligated to Date (000)
522-0207	Export Development and Services Project (522-0207), FPX Component (Federation of Honduran Exporters and Producers)	1984	08/94	8,766,387	8,413,070

ACTIONS

E. Action Decisions Approved By Mission or AID/W Office Director	Name of Officer Responsible for Action	Date Action to be Completed
Action(s) Required 1. USAID must review this evaluation to decide how to proceed with a new export support project.	Albert Merkel, USAID Kelly Flowers, USAID	Completed

APPROVALS

<b>F. Date of Mission Or AID/W Office Review Of Evaluation:</b>				(Month)	(Day)	(Year)
				10	15	1994
<b>G. Approvals of Evaluation Summary And Action Decisions:</b>						
Name (Typed)	Project/Program Officer	Representative of Borrower/Grantee	Evaluation Officer	Mission of AID/W Office Director		
Signature	Albert L. Merkel	Medardo Galindo / FPX	Carmen Zambrana	Elena L. Brineman		
Date	11/02/96	See Attachment 4	12/17/95	3/20/96		

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**ABSTRACT**

H. Evaluation Abstract (Do not exceed the space provided)

The FPX component of the Export Development and Services Project (522-0207) was designed to assist Honduras in increasing nontraditional agricultural exports. The activities supported by the FPX (Federation of Honduran Exporters and Producers) component included market research, quality control standards, broker/producer interactions, packing and transport, and market inspections. The contracted multi-disciplinary evaluation team of multi-disciplinary experts conducted the evaluation using historical data and records to provide a base of information to analyze progress and achievement of objectives. Extensive interviews with project implementors and beneficiaries as well as field trips were important tools used to collect other undocumented information about the project's activities.

The Key Findings and Conclusions

The End of Project (EOP) Objective of the FPX component was to increase nontraditional agricultural exports by \$16 million in 1990. Attachment B to this ES presents a summary from the Export Development and Services Project Logframe. The project accomplished the EOP objectives. EOP indicators include agriculture exports which exceeded \$30 million in 1990, total exports exceeded \$128 million between 1984 and 1990. FPX supported operations have also contributed 40% to export earnings of selected nontraditional exports (NTAE) during 1992. Agricultural employment increased by over 10,500 in the shrimp industry alone. The team concluded that more than 15,254 jobs were created in the sector during the life of the project. Crops directly assisted included shrimp, melons, sweet onions, cacao, ginger, berries, and asparagus.

Major findings and conclusions include: 1. Several services, including the market information documentation center, continue to provide vital information to exporters; 2. Support to producers and exporters for participation in international trade shows positively affected the development of nontraditional exports; 3. Development of a self-sustaining export advisory institution has been hampered by a lack of focus, exacerbated by several major restructurings of the institution. 4. The efficiency and effectiveness of FPX and its predecessor organization in carrying out the work of the project was considered unacceptable; 5. FPX does not have the internal capability to provide continuing support to the export sector after the project ends; 6. FPX business holdings should be divested as soon as possible as they cannot be economically sustained; 7. USAID support to FPX should not continue after the PACD.

Lessons Learned

- 1) The implementing organization must have sharply focused activities and a clear definition of its mission, goals, objectives, strategies and plans in order to successfully implement a project.
- 2) In general, export development organizations should engage in business activity only to the extent that it is directly related to export development needs, and only if alternate means of providing the service are not available.
- 3) The "commodity systems approach" used by FPX for product development (i.e., the tasks required for profitable production and marketing of a crop, including: research, seed selection, trial plots, crop cultivation, harvest, selection, grading, packing, cooling, storage, transportation, marketing, and sales) is a valid technique and a proven method for increasing nontraditional exports.

**COSTS**

I. Evaluation Costs

1. Evaluation Team		Contract Number OR TDY Person Days	Contract Cost OR TDY Cost (U.S. \$)	Source of Funds
Name	Affiliation			
Tom Easterling	Agriculture	LAG-4 <sup>2</sup> 00-1-00- 3059-00 D.O.#2	\$55,000.00	Project DA
D. Frago	Development			
M. Colegrove	Consultant, Inc.			
D. Pratt	(AGRIDEC)			
B. Schulte				
J. Nash				
M. Muñoz				
2. Mission/Office Professional Staff      80 Person-Days (Estimate) _____		3. Borrower/Grantee Professional      80 Staff Person-Days (Estimate) _____		

**SUMMARY**

**J. Summary of Evaluation Findings – Conclusions and Recommendations (Try not to exceed the three (3) pages provided)**

Address the following items:

- |  |                             |
|--|-----------------------------|
| ● Purpose of evaluation and methodology used     | ● Principal recommendations |
| ● Purpose of activity(ies) evaluated             | ● Lessons learned           |
| ● Findings and conclusions (relate to questions) |                             |

Mission or Office  
USAID/Honduras

Date This Summary Prepared:  
November, 1994

Title And Date Of Full Evaluation Report: Final Evaluation Report of the Federacion de Productores y Exportadores Agropecuarios y Agroindustriales de Honduras (FPX), 04/94.

**Purpose of the Activities being Evaluated**

The purpose of the agricultural component of the Export Development and Services (EDS) Project was to assist already established potential Honduran agricultural exporters to increase their exports of nontraditional agricultural products. This was expected to promote economic growth and result in increased employment. FPX had four specific objectives:

1. Serve as the Honduran nontraditional export sector's major link to outside markets and production assistance.
2. Represent the nontraditional agricultural export sector in dealing with the Government of Honduras (GOH) on policy matters.
3. Provide assistance to producer organizations to develop selected nontraditional agricultural support products.
4. Encourage the creation of additional producers' organizations and provide start-up assistance to them.

The Federation of Honduran Exporters and Producers (FPX) was created in August, 1984 as part of the EDS project, whose purpose was to increase nontraditional exports. FPX was created to represent the agricultural sector, and a similar organization was created for the industrial sector. FPX was established initially as a federation of 27 producer organizations, representing agricultural and livestock producers.

The FPX component was evaluated in 1988 and the organization was changed radically based on the findings of that midterm evaluation. The 1988 midterm evaluation found that there was no available alternative, besides FPX, to implement the project and that FPX would have to be restructured to be more effective. After the evaluation, FPX was restructured, streamlined, and organized more like a private business, including having the legal right to accept private companies as members. The mission of FPX changed from providing member services to that of developing nontraditional exports. The primary goal of the organization was financial self-sufficiency.

**Purpose of the Evaluation and Methodology Used**

This is the final evaluation of the FPX portion of the EDS project. The Project Assistance Completion Date of this ten year project was August 29, 1994. The purpose of the evaluation was to assess FPX's operations and to determine the extent of achievement of the relevant portion of the project's goals and purpose. The evaluation was also intended to determine if FPX would be able to achieve financial self-sufficiency after the end of the project, and whether FPX should implement a follow-on project that would continue operations to support export marketing for small holder farmers.

The evaluation team consisted of seven persons as defined in the evaluation Scope of Work. The level of effort was specified by the terms of reference for the evaluation. During the evaluation, team members met with GOH officials, USAID employees, Honduran Agricultural Research Foundation (FHIA) and FPX employees, directors, associates, members, beneficiaries, and direct users of services provided by their respective organizations. In addition, a large number of USAID documents, and project-related documents were reviewed. Also required was an analysis of different alternatives that USAID might consider to continue to support nontraditional agricultural exports in Honduras.

Each team member wrote individual reports which not only answered the questions, but also evaluated the organization in terms of his area of expertise. The individuals reports were used in great part as the basis for writing the evaluation report.

Findings and Conclusions

- 1) The project has made a significant contribution to the export of nontraditional agricultural products. Two agroindustries came into being (shrimp, melons) and another was extensively improved (cacao) over the course of the project. These have reached a level of maturity and stability that requires no further assistance from USAID.
- 2) All goals of the FPX component have been met, and exceeded. However, FPX was changed following the 1988 evaluation, and the original project goals and objectives became less relevant. These should have been modified in light of the reorientation of the project.
- 3) FPX has been hampered by a lack of internal direction, and a lack of focus on clear-cut goals and objectives. The effectiveness of the organization has been severely limited by frequent shifts in direction, excessive number of changes to the organizational structure, frequent intervention by the board in management issues, and high turnover of senior staff.
- 4) The FPX organization, in its present form, is dysfunctional and does not merit continued support by USAID beyond the PACD. However, there will be a continuing need in Honduras beyond the project completion date for the following services to help develop nontraditional exports (NTAE): a) market information, b) product development, and c) export marketing.
- 5) The market information services provided by FPX's Documentation Center are probably among the best of any offered by NTAE institutions in the region. Whatever the outcome of FPX, CENDOC is a national asset that should be preserved.
- 6) FPX International, located in Miami, provides worthwhile representation and marketing services for Honduran exporters. However, demand for FPX services is extremely low, primarily because the organization has not adequately marketed its services to other regional exporters.
- 7) Participation by producers, exporters and FPX officials in international conventions and trade shows has had a positive effect on the development of nontraditional exports, and should be continued on a selective basis beyond the end of the project.
- 8) FPX's goal of financial sufficiency is not realistic given the present structure of the organization. The organization is too large for its service base, the menu of services is too broad, and the clients tend to be small and medium producers with limited financial capacity.
- 9) Investing in, and operating commercial business ventures have placed a considerable burden on FPX, and have detracted it from the mission of the organization.
- 10) Exports of the three major nontraditional crops (shrimp, melons, and cacao) increased between 1986 and 1992 both in terms of volume and value: Shrimp exports were increased from \$6.2 million and a volume of 800 tons in 1986 to \$40 million and 5,900 tons in 1992; exports of melon rose from \$4.8 million and 21,000 tons in 1986 to \$15 million and 55,300 tons in 1992; and exports of cacao increased from \$2 million and 2,000 tons in 1986 to \$4 million and 3,600 tons in 1992.
- 11) The project was very cost effective from both an economic as well as a financial view. Nontraditional ag exports expanded greatly during the period of the project and are still expanding at sustainable levels. Several of the exports have matured to the point where they represent major production in the world. For this reason alone the project has met its EOP objectives.

## SUMMARY (Continued)

- 12) The midterm evaluation recommended that FPX develop "business activities consistent with its objectives," FPX attempted to develop these income generating activities but because of the nature of an Export Federation made up of exporters, the businesses where FPX invested competed with the businesses of the members. FPX became more interested in insuring the profitability of their investments and in the process alienated many members. They also treated information and technology developed under the project as proprietary and were at times very reluctant to provide members or others with production information. The investments, with one exception, were not profitable, causing a drain on both FPX's financial resources, as well as on FPX technicians' time, as they tried to take these investments to profitability. It is clear that the income generation scheme not only did not lead to financial viability, it also led to the organization further losing its focus on its role of providing assistance to nontraditional agricultural exporters.

### Recommendations

- 1) CENDOC should be relocated in its entirety to the FHIA's Communications Center, where it should be operated as an integral unit.
- 2) FPX's business holdings should be divested as soon as possible in a prudent, reasonable, and businesslike manner.
- 3) An analysis should be made as to the possibility of the Miami office becoming financially self-sufficient, and a strategy and business plan developed to achieve this goal.
- 4) USAID support to FPX should not continue beyond the PACD.
- 5) USAID and FPX should develop a plan for a rational transition to the end of the project when USAID financial support ends. New programs should not be initiated unless they can be completed by the project completion date, and activities that will continue beyond the end of the project should be suspended unless they have immediate benefit.

### Lessons Learned

- 1) The implementing organization must have sharply focused activities and a clear definition of its mission, goals, objectives, strategies and plans in order to successfully implement a project.
- 2) In general, export development organizations should engage in business activity only to the extent that it is directly related to export development needs, and only if alternate means of providing the service are not available.
- 3) The "commodity systems approach" used by FPX for product development (i.e. the tasks required for profitable production and marketing of a crop, including research, seed selection, trial plots, crop cultivation, harvest, selection, grading, packing, cooling, storage, transportation, marketing, and sales) is a valid technique and a proven method for increasing nontraditional exports.

## ATTACHMENTS

### K. Attachments

1. Final Evaluation Report Titled: Final Evaluation Report of the "Federación de Productores y Exportadores Agropecuarios y Agroindustriales de Honduras" (FPX) dated April 1994.
2. Outline of Basic Project Identification Data
3. Logframe - FPX Component
4. Comments by Grantee (FPX)
5. The Evaluation Report. An earlier copy has been sent to USAID/ W

## COMMENTS

### L. Comments By Mission, AID/W Office and Borrower/Grantee On Full Report

The evaluation relied on data in many areas and from many sources. As such it was difficult to completely analyze the information in the short time the consultants were available. The Evaluation Report contains considerable information to support the conclusions and recommendations. It also supports the conclusion that the project reached its EOP objectives.

While this is certainly true, it is also a fact that the FPX organization is probably not sustainable in its present form. During the last year of operations many of its best resources were dissipated. Many of the members of FPX have become disenchanted with the organization's movement toward supporting FPX's business investments and corresponding reduction in the services provided to the members. This is witnessed by the fact that of the more than 80 members in mid-1993, only about 20 remain now. Many of the technical staff positions in the area of marketing and market information support have been eliminated by FPX. This further reduced the ability of FPX to support exporter's needs.

In addition, the investments of FPX have proven to be a great burden on the organization, both in finances and in personnel capital. The need to bring these investments into profitability became so pervasive in FPX that most other activities became secondary to this purpose. The Board of Directors of FPX started to micromanage the organization to insure that the investments were adequately managed. This resulted in conflict between the General Manager and the Board. The result was that the GM was replaced by another person more willing to work with the Board.

This evaluation presented a clear picture of the status of FPX. In many cases the findings and recommendations were part of the same observation. In the Abstract, Block H of this ES, we have selected those findings and recommendations that are most important. In some cases, several findings have been combined into one general finding.

The Mission decided not to pursue a new project with FPX because of the findings of this evaluation. FPX has not proven that it could respond to the requirements of the new project or its goals. USAID continued to operate the existing until it reached its PACD and instituted more controls of FPX's operations and expenditures to insure that all funding supported the goals of the existing project. After the PACD, the Mission does not foresee any additional direct support for FPX.

Unfortunately, FPX refused to transfer the CENDOC Marketing Library to FHIA. In order to be able to support the library and to keep it in use, the Mission was able to acquire the PROEXAG (EXITOS) library from the Guatemala Mission. As this library is the source library for all Central American Agricultural Export Libraries we feel that the transfer of the PROEXAG library to FHIA will ensure its continued use as a resource for agricultural producers and exporters in Honduras and throughout Central America.

Attached find the response to this evaluation from FPX. They were completely involved in the approval of the SOW as demonstrated by their approval on the PIO/T. FPX assigned a person full time to work with the evaluation team. They also participated in the reviews and discussions of the draft evaluation report and, in fact, translated the document into Spanish. We feel that FPX and their management were fully involved in the preparation of the evaluation, the evaluation process, and in the reviews of the draft reports. The views of the FPX management are included in Attachment 4 to this PES.

Attachment 2

**OUTLINE OF BASIC PROJECT IDENTIFICATION DATA**

1. Country: **Honduras**
2. Project Title: **Export Development and Services**
3. Project Dates: **August 31, 1994 to August 29, 1994**
  - a. First Project Agreement: **August 31, 1984**
  - b. Final Obligation Date: **FY 94**
  - c. Most recent Project Assistance Completion Date (PACD): **August 29, 1994**
4. Project Funding:
  - a. USAID Bilateral Funding US\$ 8,413,070
  - b. Other Major Donors US\$ 0,000
  - c. Host Country Counterpart Funds US\$ 40,618,000

TOTAL US\$ 49,031,070
5. Mode of implementation: **FPX**
6. Project Designers: **USAID/Honduras, GOH**
7. Responsible Mission Officials:
  - a. Mission Director(s): Anthony J. Cauterucci (From 1984 to 1988 )  
John Sanbrailo (From 1988 to 1991 )  
Marshall D. Brown (From 1991 to 1994 )
  - b. Project Officer(s): Felipe Manteiga (From 1984 to 1985 )  
Brian Rudert (From 1984 to 1985 )  
Richard Owens (From 1985 to 1986 )  
Joseph Kwiatkowski (From 1986 to 1987 )  
Kurt Rockeman (From 1987 to 1989 )  
Delbert McCluskey (From 1989 to 1993 )  
Albert L. Merkel (From 1993 to 1994 )
8. Previous Evaluations(s): **November 1987**  
**August 1988 (research programs only)**

Attachment 3  
ES Interim Evaluation FEPROEXAAH

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Logical Framework - Export Development and Services

<u>Narrative</u>	<u>Objectively Verifiable Indicators</u>	<u>Means of Verification</u>	<u>Important Assumptions</u>
<u>Goal:</u> Promote Economic growth and employment	\$30 million increase in GDP 10,000 jobs created through project by 1990	Central Bank statistics CONSULPLANE estimates Mission calculations	Improved political climate in the region
<u>Purpose:</u> Increase nontraditional exports	Policy environment favors exports Export instit. capability estab. \$53 million in value added from Project-aided exports by 1990. Adequate financial services available to exporters.	Implementing agency records Evaluation which obtains data needed from beneficiaries.	New Tariff System does not eliminate incentives for exports developed through project.
<u>Outputs:</u>			
1. Exports from labor int. indus./furn. wood prod.	\$43 million in sales in 1990.	Implementing Agency records Project files Project evaluations	Commodity prices do not decrease below production costs on a sustained basis.
2. Agricultural Exports	\$16 million in sales in 1990.		
3. Trust Fund for exports.	\$73 in dollar resources.		
<u>Inputs (\$ millions)/Source:</u>			
	AID	GOH	Private
	<u>Grant</u>	<u>Loan</u>	<u>Sector</u>
1. Export Policy and Prom.	0.5	0.9	0.9
2. Export Development	5.6	5.1	1.6
3. Financial Services	0.2	10.0	3.1
4. AID Project Management	1.2	0.	2.5
TOTAL:	7.5	16.0	2.5
			5.6
			USAID Controllers Office records FIDE, FEPROEXAAH
			Private Sector contributes as expected to its associations.