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**Impact of the  
USAID/Guatemala  
AGIL Project**

*Team Reflections on the  
AGIL experience*

**G-CAP**

**Apoyo a la Generación  
de Ingresos Locales  
(AGIL)**

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# Impact of the USAID/Guatemala AGIL Program

## I. Background

The AGIL project (the acronym comes from the Spanish project name: Apoyo a la Generación de Ingresos Locales) has been the core USAID/Guatemala program designed to achieve its income generation strategic objective (SO4). The project began in February 2000 and has been implemented through a contract with Abt Associates. All project activities will conclude in December 2003, and the results achieved during its short life have greatly exceed those anticipated. The AGIL program specifically targeted two sub-objectives: a) More small farmers engaged in higher value production and marketing, and b) More micro-entrepreneurs expanding their businesses. This document summarizes the impact of the AGIL project activities in successfully contributing to these objectives, and lessons learned that can be applied in similar initiatives.

SO4 was defined as sustainable increases in household income and food security for rural poor in selected geographic areas of Guatemala, addressing the fact that rural incomes and social indicators in Guatemala are extremely low in comparison with other countries at an equivalent stage of social and economic development. When the program began, seventy percent of the Guatemalan population had household expenditures below the poverty line. USAID's strategy focused efforts on six rural departments located in the indigenous western-highlands and northern-lowlands of Guatemala. As described in the Mission strategy, "These areas are poor because of a combination of factors such as: isolation, difficult terrain, limited infrastructure, civil conflict, limited marketing opportunities, limited human capital, and limited institutional presence." These departments are also part of the geographic focus of the 1996 Peace Accords, ending 36-years of civil conflict that destroyed productive infrastructure, disrupted economic activities, and absorbed energies that would otherwise have been devoted to development.



Within the six departments, the Mission strategy focused USAID program intervention on eleven municipalities. Although poverty, illiteracy, and cultural isolation are common denominators, there is considerable disparity in the conditions in these municipalities. The geography varied from mountainous to flat lowlands; the ecology ranged from dense jungles to the semiarid; economic infrastructure was adequate in a few areas but more commonly was woefully inadequate. Residents of the target municipalities speak a combination of Spanish and eight different Mayan languages (often monolingual Mayan). One municipality is primarily urban but most are predominantly rural. Economic activities range across a wide variety of agricultural

crops, depending on the ecology, as well as non-farm micro enterprises. Finally, some regions have benefited from, or been poorly accustomed by, prior development initiatives, while others have received very little past assistance. This disparity of development conditions required the AGIL program to design individual strategies for each. However, the overall strategic approach was the same in all regions, i.e. stimulate production of high value commercial crops, which would increase farmer income and generate an overall increase in economic activity benefiting all residents of the target areas.

The USAID strategy focused investment of its resources to have a direct, measurable impact, within a short time period, on improved incomes within the priority geographic areas. USAID’s target was that by the year 2002, 50,000 poor families (20,000 small farmers and 30,000 micro entrepreneurs) in target areas would have benefited directly from micro enterprise and small farmer development activities in USAID-funded programs. The AGIL project was designed to contribute to achieving these targets both through activities directly implemented by Abt Associates and through activities implemented by a dozen other USAID-supported implementing organizations, most of which received supporting assistance from AGIL. The following chart indicates the actual results achieved, both in terms of direct AGIL program initiatives and the broader SO4 investment program):

<b>Program results</b>	<b>AGIL Direct Impact</b>	<b>Total AGIL-Assisted SO4 Activities</b>
Number of small farmers benefited	16,513	109,292
Number of micro entrepreneurs benefited	11,403	128,071
Number of jobs created	3,926	58,375

The following provides a description of the AGIL activities carried out under each of the two program sub-objectives, and the key lessons learned during implementation. The AGIL project was also responsible for gathering and analyzing information on the impact of all USAID supported programs under SO4, and this will be described in the final section.

## **1. More Small Farmers Engaged in Higher Value Production & Marketing**

This section will describe the AGIL activities in pursuit of the first sub-objective. It includes discussion of efforts to develop rural enterprises, strengthen local technical service provider organizations, and support the Ministry of Agriculture and Livestock’s Technical Assistance Unit. It will also discuss three specific program interventions: economic diversification, improved marketing of goods and services, and design and construction of appropriate rural infrastructure.

### **i. Rural Enterprise Development**

The AGIL project has provided direct assistance to seven horticulture producer and marketing organizations, ten small layer hen operations, and ten artisan producer groups. It also assisted the creation of an umbrella private association (Fundación AGIL) that will continue providing support to these organizations in the future. AGIL has not only assisted the

organizations to increase member income significantly through improved production and marketing, but has also helped instill a sense of entrepreneurial spirit that is not frequently seen in such development projects. In each case, the AGIL technicians examined the agribusiness potential for the producer groups and identified the weak links requiring assistance in order to achieve that potential. Rather than providing advice on the basis of a preconceived model to be implemented uniformly in each location, AGIL crafted a practical response to specific needs, based on a clear understanding of market demand - the driving force for all AGIL rural enterprise development initiatives.

The following provides examples of AGIL assisted rural enterprises, and the lessons learned from the provision of this assistance.

### 1. LeStansa Horticulture Model

An example of the techniques and benefits of the AGIL rural enterprise development model is support for French bean exporters in the village of La Estancia, San Martin Jilotepeque municipality in northern Chimaltenango department of central Guatemala. In late 2000, AGIL technicians met with community leaders who expressed an interest in improving their income from French bean production. The first step undertaken by AGIL technicians was to assist the producers to ship their produce to the market in bulk, instead of having each farmer pay to accompany his or her production. By



doing so, the producers saved Q0.82 per pound in direct and indirect marketing costs, which is highly significant given the average price for French beans in the nearest market center of Q2.00 per pound. The total savings from this simple, low-cost initiative are estimated at Q.738,000 (\$92,250).

Based on this success, the producers sought further assistance from AGIL. First, they needed to establish a formal organization to manage shipments to market. After reviewing options with the AGIL technicians, the members voted to create a private, for-profit corporation (LeStansa) rather than a non-profit association. They chose this legal structure because they felt it offered greater operating freedom and potential returns, despite its greater tax liabilities. In creating LeStansa, the members also approved a provision for forced capitalization of a percent of sales, in order to build the capital base required for such an enterprise. Many small farmer organizations that undertake production of perishable crops for export fail when either production or prices drop, due to their undercapitalization.



Once the corporation was legally established, AGIL purchased office equipment and accounting software, provided technical training in financial and organizational management, and helped the LeStansa leadership to prepare strategic, business, and production plans. Creation of strict management and accounting controls is another critical factor in creating successful rural enterprises, as improper resource management is another common cause of failure. AGIL next provided design assistance and co-funding with the San Martin municipality for construction of a packing shed in La Estancia. A Guatemalan engineer

designed a simplified structure that cost only Q500 per square meter to build, which is about half the cost of similar structures constructed through other projects. AGIL also provided expert technical assistance to assure that management of the packing shed met the health and sanitary conditions required by the U.S. Government for horticulture imports. This included construction of latrines and strict management of pesticide use. U.S. import requirements have recently become increasingly strict, due to concern for bioterrorism.

Building on this experience, AGIL helped link LeStansa directly with a French bean exporter, who was willing to pay Q0.25 per pound above the price in the local market, representing an additional total return of Q225,000 (\$28,125) for the LeStansa producers. The exporter also provided free technical assistance to the producers concerning varieties to be produced and care of the product, which resulted in use of French bean varieties with greater market demand (and therefore higher prices), and more frequent harvest in order to improve quality. The exporter also helped train the producers in product assembly and handling, and provided production inputs (seeds, fertilizers, pesticides) on credit.

After successfully managing this level of enterprise, the LeStansa members decided that they could further increase their revenues by an estimated 50% by exporting directly using their own logo and packing materials. AGIL helped them to identify and establish a relationship with a reliable U.S. broker, and funded a trip for the LeStansa leaders (along with leaders of similar AGIL assisted organizations) to visit the broker in Miami, and to witness the various stages of the market channel there. The AGIL project technicians also continue to provide expert advice on U.S. Government import regulations that affect the production technologies used. The total additional return to the producers from direct exportation is estimated at Q450,000 (\$56,250), plus a



similar amount for enterprise capitalization.

In summary, the increased income achieved by the LeStansa members due to AGIL assistance through mid 2003 is Q1,413,000, or \$176,375. This represents an average of Q15,876 (\$1,985) in increased income per member, which is a 174% increase over the municipality's 1999 average rural household expenditures of Q8,484 (\$1,139). Due to AGIL technician training, LeStansa also has a functioning organizational structure, modern accounting system and operating policies, valuable market relationships, and trained competent leadership.

Based on the successful experience with LeStansa, AGIL provided similar assistance to two organizations in Uspantan, Quiche, two in Agua Escondida in Tecpan, Chimaltenango, and one organization in San Juan Comalapa and one in San Antonio Ilotenango, Quiche. Four of these six organizations have demonstrated similar growth potential to LeStansa. Assistance to the other two organizations has not been successful due to inadequate local leadership and the limited time frame of the AGIL program. The four successful organizations plus LeStansa have now created an umbrella association, the Alianza Agroindustrial y Artesanal Rural (ALIAR), which will provide mutual support services for these and potentially other rural enterprises after the end of the AGIL project.

## 2. Pachay Las Lomas Egg Production Model

A second example of AGIL assistance with rural enterprise development is AMIDI (Asociación de Mujeres Indigenas para el Desarrollo Integral) in Pachay las Lomas, also in San Martin Jilotepeque. AMIDI was started in 2000 by a group of 23 women (currently 29), primarily widows from the years of guerilla warfare, with the initial intent of supporting their handicraft activities. However, they later decided to seek options with higher income potential, and with the assistance of AGIL and a non-governmental organization located in Chimaltenango (COKADI) they decided to raise layer hens and market the eggs.



AGIL began its assistance by preparing a cost - benefit analysis for the chicken project. The analysis demonstrated a potential total return over an initial four-year period of 164% of the initial cost of investment. Based on these projections, AGIL proceeded to provide technical assistance to set up accounting records and administrative systems, and to develop a marketing plan. AMIDI also obtained production technical assistance from COKADI. The marketing plan determined that there was sufficient demand for fresh eggs in Pachay itself and the nearby municipal capital of San Martin.

AGIL then provided the services of a local Guatemalan engineer, who designed a simple, low cost but hygienic coop that could hold up to 1,500 chickens. AGIL provided the materials for construction of the coop, and the women members carved out a level spot on a steep hillside, and hand carried all the building materials to the site. Finally, AGIL provided funding for the

initial purchase of 500 chickens and an initial one month supply of feed, with the requirement that AMIDI capitalize an amount equal to this assistance. Additional chickens were obtained from COKADI on credit.

The women decided to forgo salary payments of their 12 hour shifts caring for the chickens, as well as any distribution of profits, until all loans had been repaid. They have thus been able to continue to expand the number of chickens, and presently have 2,400. Internal problems within COKADI made it an unreliable source of chickens and feed, and AGIL helped AMIDI identify an alternative supply source.

The project is now self sustaining with no further formal support from AGIL. The projections indicated that the group can anticipate a total income of Q77,200 (\$10,333) over a four year period on 1,500 chickens, or Q2,662 (\$350) per member. While this is not as dramatic as the income from French bean production for export, it is extremely significant for widow women in an area with per capita annual income of approximately \$190. In addition, the AMIDI members also earn a commission selling eggs, and a small daily salary when they work taking care of the chickens.

As noted earlier, based on the success of the Pachay las Lomas experience, AGIL has promoted the creation of ten other layer hen operations: La Estancia, Chimaltenango, Xetzé, Chajul; Cajixay, Cotzal; Xix, Nebaj; Tierra Linda, Chisec; Chola, Uspantán, El Rincón and Nueva Concepción in San Martín Chile Verde, Quezaltenango (with a local NGO, ADIT and Peace Corps Volunteer); and the last completed in late October in Taltimiche, Comitancillo (with SHARE/ADIPO).



### 3. Artisan Group Model

A principal source of family income in the target region comes from production of artisan goods, and the AGIL project during the first three years, undertook a coordinated effort to improve these incomes, particularly in the municipalities of Rabinal (Baja Verapaz) and San Juan Comalapa, San Jose Poaquil and San Martin Jilotepeque (Chimaltenango). The constraints confronted by artisans are even more severe than for other productive activities. Producers lack knowledge of market demand, business operating practices, and efficient production techniques. There are far more artisans than required, resulting in chronic over production and low margins, and the market itself is weak, as the tourism industry has been stagnant in Guatemala. The production costs of many artisan goods are relatively high, which increases risks. Other constraints of the artisan goods industry are common to all rural enterprises in the target region of Guatemala: low educational levels, lack of access to credit, weak organizations, and low levels of technology.



The AGIL strategy to address these constraints was to focus on strengthening the producer organizations, improve business management skills, and assure that the producers add value to the products and adopt appropriate marketing strategies. The producers require effective organizations in order to achieve economies of scale in both purchasing supplies and marketing produce, and to access technical assistance services. In order to improve the organizations, AGIL provided training to their Boards of Directors concerning their roles, the need for clear

mechanisms for making decisions, and adequate operating controls.

Improving business management is essential in order to be competitive in the artisan market and produce income. Management of human resources, materials, technologies, and finances were the key areas that were supported. Specifically, training was given concerning production cost control, achieving product value added, marketing, quality control, production management, and financial controls. To



To assure that the artisan goods have real value added demanded in the market, assistance was provided in identifying which product colors, textures, combination of materials, styles, and finishing materials were in greatest demand. By assuring that the products have valued-added, and meet specific market demand, the producers will be more competitive. The AGIL project supported a number of new vehicles, including creation of a show room for products from a variety of sources, use of catalogs, and linking producer groups directly with sales points in hotels, museums, and the airport. The producers were also introduced to a wide range of other market development training initiatives. As a result, the producers are more open to change and better at decision making than before the project began. They also have a broader vision of what the market demands and their organization can achieve, and their internal group structures have been strengthened.

There have been a number of positive impacts from the AGIL support for artisan groups. For example, the Tejidos Guadalupe group in San José Poaquil quadrupled its sales, due to use of

colors with greater market demand and improved production technology. Also, the Flor de Algodón group in Chuaperol near Rabinal increased its annual sales from Q12,000 to Q80,000, again primarily through adoption of improved styles and production techniques. However, increasing artisan capabilities and incomes in Guatemala is a long-term endeavor, which far exceeded the time available for the AGIL program, however, the strategies and methodologies developed by the project show clear promise, but greater time will be needed to consolidate their adoption and impact. Nonetheless, at the end of 2002 all formal ties with artisan groups were ended. Cutting formal ties did nothing to stop requests for assistance from the original group nor new groups. Under the grant program AGIL started new mini programs for artisans groups through local NGOs: composed of financial packages and equipment purchases.

The financial assistance package consists of a small rotating fund used to purchase basic supplies: thread, cloth, zippers, etc. and a small amount to purchase equipment: sewing machines or looms. As part of the package, AGIL has also provided assistance in accounting and administrative procedures. The reasoning behind the rotating fund is that it is basically an influx of working capital. Small women's weaving/sewing groups are unable to look for new markets as they depend on the intermediaries for the market, and also for capital in the form of credit or supplies. Groups that want to produce on their own typically pay interest rates of 5%/month – which makes almost any venture unprofitable. With assistance in purchasing supplies for orders already received the groups are guaranteed a quick turn around on their money which can then be used help them find their own markets and not depend on intermediaries and their cash advances. Equipment purchases were made to add to present equipment. All groups have a working center, i.e. they do not work exclusively out of their homes. The equipment is in a central location to be used by all members. Members are paid piecework, but purchase and market as a group. The rotating fund has been very successful and fortunately, the women have been successful in finding markets for their goods.

In the case of San Jose Poaquil, we also experimented with a novel fund called the creative fund. This fund is to promote new ideas, products, designs, and different colors, whatever they image. The basic assumption is that the women come up with new ideas, but a lack of funding prohibits them from simply trying something new. Women with a new idea (not just simply a color change, but, using the crochet techniques to make hacky sack balls to make purses or hats) present their idea to a committee, who then gives them funds to make the model – the association then presents the model in its retail store or to buyers. As this is a fairly new idea and a little strange for the women to use money on an idea, there have not been any revolutionary ideas; however, they have made different types of purses, fancy shawls, hats and different colors and designs for table runners.

Some groups that have received assistance are:

1. Carlos and Oscar Xitumul Chen; Héctor René González and Cerámica Monja Blanca y Hermanos López all ceramic producers in Rabinal. (Although these groups received limited assistance after mid 2002, when visited in late 2003 they were still all applying the teachings learned from AGIL).





2. Mujeres Unidas por el trabajo- Las Minas Keem, San Miguel Chicaj; Ceiba Tex, Aldea La Ceiba; Flor de Algodón, Aldea Chuaperol; Cooperativa de Producción integral, San Gabriel; Uwach Keem, Aldea San Rafael and Aj Keem Chicaj San Miguel Chicaj these were the artisans groups in Rabinal that received assistance form AGIL through 2003. All have continued to manufacture artisans handicrafts with Chuaperol and la Ceiba having the most success.

3. Artesanías San Juan in San Juan Comalapa had internal conflicts/problems all through the time they were receiving assistance, of the initial groups three remain and continue to provide high quality natural cotton articles for a national buyer.

4. Tejidos Guadalupe in San José Poaquil, Chimaltenango – the whole spectrum of Guatemalan *típicos*: table runners, place mats, pocket books, folder’s and crocheted hacky sacks balls.

5. Dulce Hogar and Grupo de Mujeres de Chicajalaj (supported by SHARE/ADIPO) in Taltimiche, Comitancillo, San Marcos - bags, pillow cases; and,



6. Sastreras Ixiles (supported by the local mayor) in Cotzal, Quiché - embroidery for local guipils.

7. Asociación ADEI in San Juan Comalapa - weaving and oil paintings.

The “how to” of the AGIL Models - approach to rural enterprise development:

1. An initial assessment must confirm that the proper conditions and economic infrastructure exist to give the producing groups comparative advantage in meeting market demand.
2. The technicians need to consult carefully with individuals familiar with the communities to assure that the leaders with whom they are to work are considered honest and committed to their communities. If local leadership is weak, the project must be prepared to exit the activity as early as possible.
3. The technical advisors must have an in-depth,



practical knowledge of the local production and market parameters. For this reason it is preferable where possible to obtain the services of national rather than expatriate advisors, and that they have directly relevant private sector experience. The advisors need to have market contacts, insights into market preferred varieties and styles, knowledge of production and packing practices, and access to information on the changing regulatory environment (both within the host country and the export market). This knowledge should be based on actual experience, not academic study.

4. The technical advisors need to be careful to build local leadership competence rather than usurp it by bringing in outside managers. Contrary to accepted wisdom, it has proven easier to train bright individuals with accepted leadership in the community to become managers than it is to bring managers from elsewhere and integrate them as permanent manager/leaders of the groups being assisted. Technicians also must be careful to assure that the group is responsible for taking all key decisions and resolving problems themselves.
5. All project commitments should be made in writing to avoid confusion later.
6. Technicians should be extremely careful in responding to requests for assistance not to promise more than can be delivered, and to assure that the producers remain responsible for covering recurring costs, in order to avoid dependency.
7. Intensive training in accounting and control policies and procedures is needed to assure that the groups adopt appropriate, modern operating procedures from the beginning, and that they comply with host country tax and export registration requirements.
8. As production and marketing are subject to considerable risk, emphasis must be placed on the need to capitalize initial profits rather than distribute all of them to the members. Also, use of borrowed resources should be kept to an absolute minimum, even if this results in a slower rate of growth.
9. Finally, the producer group and its members must at all times be treated as businesses, emphasizing the entrepreneurial spirit. Social motives justify the need to increase incomes, but are a poor guide to the day-to-day decisions in how to produce those incomes. Unless the rural enterprise is profitable, it will produce no social benefits.

## **ii. Strengthening Local Technical Service Provider Organizations**

The AGIL project included a grants component designed to stimulate the establishment or expansion of local NGOs, cooperatives, credit unions, producer associations, and other indigenous community organizations to provide sustainable financial or non-financial services in the target areas. The assumption was that there were a sufficient number of such organizations with the administrative and technical competence to provide effective services in the target regions, and that they would be sustainable subsequent to program completion based on fees for services provided or other independent funding. Individual grants up to \$50,000 were contemplated for each organization. In total, \$925,000 was granted to 14 organizations. Given the demand and the needs of the candidates, USAID increased the funding available for this program component, and more organizations were incorporated than originally contemplated. The role of these grantees in achieving the overall objectives of the AGIL program has grown over this period, and the grantees became known as “AGILITOS.”

Implementation of this program component involved first selecting appropriate proposals through a public bidding process. Groups submitting proposals were required to meet certain minimal standards, although the AGIL project could provide some technical assistance to improve the organizations' basic accounting and management systems if needed. Once selected, the organizations were expected to implement the program with little additional support from AGIL.

The advantages of mobilizing a network of indigenous NGOs committed to addressing the social and economic challenges of the target areas cannot be overestimated. Their familiarity with local languages and customs, their credibility with local leaders, and their relatively low operating cost structures make them ideal vehicles for the implementation of development projects. Of even greater importance, they can be expected, as part of the rural institutional framework, to offer far greater permanence than can international grantees or contract organizations. Many of the AGILITOS have been actively promoting social and economic development in Guatemala for several decades. Consolidation of these organizations has potential long-term implications for Guatemala's economic and political development.

The objectives of the grants program were to 1) Assist the organizations to expand services in the target geographic areas; 2) Support implementation of mechanisms that increase producer access to services; and 3) Help organizations to overcome constraints to expansion.

The grants activity has been a very successful component of AGIL in meeting the program objective of increasing the number of small farmers engaged in higher value production and marketing. Assistance provided to these organizations has a significant multiplier effect in reaching a large number of target families. The existence of a large pool of local Guatemalan NGOs that are committed to improving the conditions in the socially and economically marginal areas of rural Guatemala is extremely encouraging.

Unfortunately, some of these local organizations also have inherent weaknesses. The AGIL project began with the assumption that viable, service-providing NGOs existed in Guatemala. The program's responsibility was merely to help them expand their service coverage, and little investment in organizational development was contemplated. However, the level of development of the indigenous NGOs was more limited than anticipated, and the short time-horizon of the AGIL project and of the individual grants limited the program's ability to provide needed investments in their organizational development. In some instances the volume of activities has simply not grown fast enough in the short period in which assistance has been provided to allow full cost recovery.

During implementation it became apparent that the depth of technical competence and organizational development in some of these organizations was shallow. Many started with a focus on social development, and have limited knowledge of the economic development, financial management, and business dealings that are key to the income generation agenda they have now adopted. The economic decline in rural Guatemala, particularly the difficulties confronted by the coffee sector due to low international prices, made it more difficult for some of these indigenous NGOs to achieve their sustainability projections. During a field review of the AGILITOS, the following principal issues were jointly identified:

- The indigenous NGOs have a history of providing free, donor-subsidized services, and the task involved in getting farmers to agree to pay for these services, and to get the NGO field staff committed to require payment, has been more difficult than anticipated. Many of the AGILITOS need further assistance in shifting from an “asistencialista” (welfare) philosophy to one of “gestión empresarial” (business management). While the leaders of the organizations recognize the need for this shift, their field staff is not accustomed to charging for services, and often avoid doing so.
- Many of the organizations have not developed effective strategies for recovering costs. They require further assistance in developing cost accounting systems that will enable them to calculate fully the cost of services provided, analyze the market for these services, and achieve sustainability through an appropriate pricing strategy.
- The project discovered that almost all of the technical service providers also manage credit programs, and seem to have gotten into the credit business both to meet demand and as a way of generating income. It appears that the interest rate spread captured by some of the technical service AGILITOS is not calculated with a realistic assessment of the actual costs incurred in providing these services. And most of the technical service providers have limited knowledge of credit portfolio management, delinquent loan recovery techniques, interest rate policy, etc.
- AGIL found that given the lack of viable economic activities in some regions, it was forced to focus on promotion of new crops that have market demand, and provide direct technical assistance to producers in the production technologies for these crops, before the AGILITOS could assume a role in product marketing and use this as a cost-recovery vehicle. The short time-horizon of AGIL and its grants limited its ability to consolidate these initiatives.

## **1. Reflections on the AGILITOS Grants**

In summary, the impact of AGIL grants to local non-governmental technical service providers is best measured by the significant expansion in small farmers receiving these services, and the AGILITOS’ role in technical service provision is potentially very large in the target regions. However, more assistance is needed by many of them to consolidate and expand their present activities, and more organizational development assistance is needed if they are indeed to fulfill their potential as a stable source of technical and financial services for the target region. This is especially true for those technical service providers that have also begun providing financial services (Plan de Negocios (FUNDEMI) and Análisis del Modelo de Presentación de Servicios Técnicos de FUNDEMI/Talita Kumi). The AGILITOS are particularly interested in assistance with production technologies for diversified crops, assistance in developing marketing strategies (both for their own services and for the produce of those they assist), and in strategic planning and financial management.

In some cases a distinction must be made as to whether the focus should only be on the sustainability of the non-financial services provided by these organizations or if the focus should also include the sustainability of the NGOs themselves. In some cases, mechanisms might be identified that would allow continued provision of the services even if the sponsoring organization ceases to provide them, while in other cases the two issues are closely linked.

### **iii. Support for MAGA's Technical Assistance Unit**

The third vehicle used to increase small farmer involvement in higher value production and marketing was the strengthening of the Ministry of Agriculture and Livestock (MAGA)'s Technical Assistance Unit. Inadequate technical services for production and marketing have been a critical issue in rural areas for many years. Donor funding in the past has been used to expand public sector provision of these services, but these programs proved unsustainable when donor activities ended. In the late 1980s, a model technical assistance program was tested in a several remote communities in Guatemala, based on similar activities in Mexico and Chile. The program established contracts between farmer groups and private technical service providers, with the costs of services subsidized on a declining basis until, after about three years, the farmers assumed full payment (either in cash or in a portion of the harvest). The results of this pilot initiative demonstrated that farmers are willing to pay the costs of technical services, if these services result in increased and/or higher quality production. In addition, several banks demonstrated interest in including technical services as a line item in providing production credit.

Based on this pilot activity, as part of a reorganization of MAGA and other related sector institutions, the public sector agricultural extension service was eliminated, with the plan to create a special fund to subsidize, on a declining basis, provision of private technical services to Guatemalan small farmers. To implement this decision, MAGA needed to establish a Technical Assistance Unit (UAT) that would be responsible for registering private providers of agricultural technical services, manage the fund to subsidize partially the provision of these services, assure that farmer organizations were aware of the program, and evaluate the quality of the services provided in order to remove from the registry those providers that failed to perform. The AGIL project was responsible for assisting MAGA with this process.

Unfortunately, the Government of Guatemala did not provide the level of anticipated counterpart funding for the subsidy of technical agricultural services, and there were frequent changes in leadership of the program within the Ministry of Agriculture during the first two years of its implementation. The specific tasks stipulated in the AGIL project for establishing the network were accomplished to the extent this could be done in the absence of an active, operational program. Some counterpart funds were budgeted for CY 2002, and although this was considerably less than contemplated, it did allow initiation of the operational phase of this activity. A new director of the UAT was also appointed at that time, providing leadership to the program.

The tasks that have been completed include 1) Drafting Government of Guatemala legal documents required to establish the UAT; 2) Design and implement the computerized registration system for technical assistance service providers; 3) Public notification recruiting private providers of technical services to place their names in the public registry; 4) Design of the operating norms for administration of the Registry; 5) Developing norms and procedures to be applied by MAGA to assure that technical service providers who fail to perform are excluded from the registry; 6) Creation of a communication strategy to assure that farmer groups are aware of the program; 7) Provision of training to private providers of technical services concerning how

to market their services, and how to manage their businesses 8) Drafting the service contract to be used in obtaining the services of the technicians; and 9) Drafting the Internal Manual for the UAT. All of these tasks have been completed, but initiation of this program component during the final year of the AGIL project provides insufficient time to allow the activity to become fully institutionalized. Further implementation of this program depends on the level of future support from MAGA.

#### **iv. Footnote**

AGIL was able to accomplish project goals on a strict sense, but so much more could have been done with a more cooperative counterpart. That being said during 2003 much was done in assisting MAGA in cementing strong relations with their Mexican sister organization especially the INCA RURAL training program. A lot was also done to help the UAT and SUCAT raise their profiles and begin to do long range operational planning and reinforce the UTM network. Unfortunately much of the work was done under the radar of higher level MAGA officials, and much was lost when employees were directed to assist with subsidy programs or campaign work. Frequent changes in counterpart leadership of a program and inadequate counterpart funding always limit the impact of programs. Despite these constraints, persistent effort can achieve planned outputs (specific results planned from technical assistance), even though realization of the program objectives may require continued attention after the project ends.

#### **v. Special Program Interventions**

The three program initiatives described above: rural enterprise development, expansion of service coverage by local technical service providers, and strengthening the MAGA Technical Assistance Unit, were the key implementation vehicles used to achieve the AGIL program impact. However, three special program interventions were used to increase the quality of this impact. None of these was specifically contemplated when the program was designed, but emerged in response to identified needs as the program evolved.

#### **vi. Economic Diversification**

Initially, the AGIL project had a three year time horizon. Although this was subsequently extended by eleven months, the project implementers attempted to concentrate program activities on improving production and marketing of products that were already produced in the target region, since introduction of new crops usually requires extended work in identifying appropriate varieties, training producers in production techniques, and establishing market channels.

However, relatively early in the project, the world-wide coffee crisis spurred the implementers to reconsider this approach. An evaluation carried out under AGIL of development activities in the Polochic Valley in Alta Verapaz identified a need for a more systematic approach to agricultural diversification, in particular associated with the world-wide coffee crisis. In addition, assistance provided to the AGILITO Centro de Integración Familiar (CIF) in Rabinal and to other organizations elsewhere quickly identified the need to introduce

economic activities with greater potential, if the project's income generation objectives were to be met.

Several different initiatives were thus undertaken to promote diversified agricultural production, including:

- Assistance to MAGA on agricultural diversification: During mid 2002, at the request of USAID to assist the Ministry of Agriculture and Livestock AGIL began the task of preparing a list of priority crops that could be promoted as a means to reduce the impact of the coffee crisis. Approximately 35 individuals from various private firms and international and national non-governmental organizations who had a history working in production and marketing of non-traditional agricultural crops were invited to participate in identifying the priority crops. An initial list of 74 potential crops was developed, which was then reduced to 30 based on an analysis of the crops' market demand, ability to be produced in Guatemala, potential production volume and prices, and Guatemala's comparative advantage. Based on a second review, a final list of ten priority crops was prepared, for use by the Ministry, AGEXPRONT and development agencies in guiding diversification initiatives. AGIL took the lead and was an active participant in this process, unfortunately for what could only be described as politics neither MAGA nor AGEPRONT ever made any use of the final diversification list or document.
- Introduction of diversified crops: AGIL technicians have provided direct assistance to producer groups and AGILITOS in the introduction of new crops. The greatest amount of activity has been with the AGILITO CIF in Rabinal, where AGIL has helped introduce appropriate varieties of cashews, jícama, maracuyá, and granadilla. The project has also introduced exotic tropical fruits (rambután, lychee, and longan), and exotic flowers and foliage. These crops show considerable promise, both in terms of competitive production and identified markets.



- Use of simple greenhouses: AGIL has developed a low cost design for construction of greenhouses, and these are presently in use by rural enterprises in two locations in the target region. The greenhouses are constructed of wood and use sheets of plastic and plastic screens as roofs and walls. The greenhouses will allow producers to extend their production seasons, and to protect plants from insects and diseases. The greenhouses

use drip irrigation, which not only conserves water but also prevents produce that is to be eaten raw from becoming contaminated.

- Commercial layer hen operations: The AGIL assistance to introduce commercial layer hen operations by women's groups was discussed above, and is only mentioned here as this was another example of introduction of an economic activity that was new to the target region.



- Bakery: At the request of the LeStansa producer group, AGIL helped design and construct a local bread bakery to serve the local community, and to provide employment and increased income to the members of the producer organization.
- Introduction of new artisan ideas: This intervention was also discussed above, but is mentioned here as it is clearly diversified economic activity in the target region.

- Ecotourism: Finally, USAID/Guatemala suggested that AGIL invest in several ecotourism ventures in the targeted Chisec Municipality, in Alta Verapaz. A new road has greatly increased the accessibility of this region, and the extensive tropical forests and little explored Mayan archeology sites offer alternative income sources in an impoverished region. AGIL helped one group improve access to an extensive Mayan site (parking, visitor information, and a boat motor to facilitate the final stage of access to the site). It also helped a local group build a hiking trail to an attractive lagoon.



All of these activities have been implemented on a fairly small, pilot scale. They have demonstrated real potential, but further investment is needed in most cases if they are to be disseminated more broadly and achieve their full potential.

### **vii. Improved Marketing of Goods and Services**

The AGIL program placed heavy emphasis on undertaking income generation activities only if there was a clear market demand for the items produced. This market driven approach was a key underlying tenet of the program, and the AGIL technical assistance team included individuals with direct, practical knowledge of market opportunities. The need for improved market practices applies both to the goods produced by small farmers and artisans as well as to the services of private providers of production and marketing assistance. The marketing assistance included identification of special channels to increase profit margins in supplying domestic consumers and sophisticated measures to export produce to international markets.

Guatemala faces a number of critical constraints to improving the marketing of goods and services. These include: 1) lack of trained human resources and entrepreneurs; 2) lack of marketing organizations; 3) lack of a reliable market information system; 4) practice of planning production activities without considering market cycles; 5) difficult access to commercial credit; 6) lack of processing, packaging, storage, and transport infrastructure; 7) weak technology adoption; and 8) lack of stable, long-term public policies.

The AGIL approach to improved marketing began with development of marketing strategies jointly between knowledgeable technicians and producers. These strategies first identified a range of possible products and examined both production and marketing profiles for these products, identifying markets, price trends in different periods, special handling requirements, and cost structure (transport costs, packing and handling costs, broker commissions, fumigation or other treatment, export taxes and fees, etc.). Based on this information, the economic feasibility of each product was identified and the comparative returns that the producers could anticipate from each were presented. The producers then weighed the anticipated return against other factors like production risk, ability to learn and apply new technologies, etc.

Once the products were selected, further planning was needed to design and construct required infrastructure (assembly and packing shed, storage area, etc.), identify the optimum production cycle, arrange transportation, etc. The AGIL technicians also helped the group to identify packing materials needed to meet and stimulate market demand, design a brand name and logo, and arrange for required financing.

Throughout this process, it is essential that the weak links in the production and marketing chain be identified and resolved. As was noted earlier, when the AGIL technicians first began to work with the producers in La Estancia, they quickly identified the fact that the producers were using an extremely inefficient practice to deliver their produce to market. Simply by resolving this issue, the producer's income increased dramatically. This then gave the producers the confidence to adopt ever more sophisticated practices.



Other examples of efforts to improve marketing efficiency were establishing contacts with local supermarket chains or wholesalers in Guatemala City for passion fruit, oranges and other minor crops. In addition, AGIL technicians helped small groups of artisan producers to establish a show room at a convenient roadside stop for tourists, and to market directly through hotels, museums, and other outlets.

complementary services, such as input financing and assistance with training activities. Toward the end of the project, the technicians have helped the producers to establish direct links with U.S. buyers, although they still use and will continue to use Guatemalan brokers to assist with the export arrangements (permits, transportation scheduling, etc.).

In developing export relationships, the AGIL team first linked producers to reliable Guatemalan exporters, who either purchased the product at a pre-agreed price, or marketed the produce on commission. The exporters also provided complementary



Finally, AGIL technicians have provided expert advice and assistance to the producers in meeting U.S. phytosanitary and health requirements, including construction of latrines at packing sheds and training of packers in measures required to meet increasingly strict U.S. standards. Recent U.S. legislation concerning bioterrorism threats requires that each box of imported agricultural produce be marked so as to identify the individual producer and the person who actually packed and sealed the export box. Without expert advice concerning these constantly changing requirements, the producers would be subject to severe risks.

## 1. Design and Construction of Appropriate Rural Infrastructure

The third AGIL special program intervention was the design and construction of appropriate basic infrastructure. As the need for this component became obvious early in the program, USAID approved the AGIL team's request to create a special category of small grants. \$50,000 was initially reserved for grants of \$5,000 or less, which could be used to finance a portion of the construction costs of basic infrastructure required in conjunction with rural enterprise development or the development of local technical service providers (AGILITOS). The impact of these small investments cannot be overestimated. The resulting structures not only provide essential infrastructure for income generation activities, but also provide a concrete, visible example of successful efforts to improve community conditions, and serve as a catalyst for continued group efforts.

The first infrastructure activity was the construction of a packing shed for the LeStansa producer organization. Once the program had identified the excessive costs paid by the French bean producers to market their crops individually, it was clear that some facility would be needed to receive and combine their produce. AGIL provided \$5,000 in funding for the construction, and the community contributed labor and local materials. The packing shed was completed within a very short period, and a very low cost of \$30 per square meter. Additional packing sheds using the same model were subsequently built at 4 other locations.



The second infrastructure requirement was for a chicken coop for the Pachay las Lomas women's group (AMIDI). Again, the AGIL contract engineer designed a simple, low cost structure, and AGIL provided a grant of \$3,000 to complement community donated local labor and materials. The cost of the coops is only \$20 per square meter. Similar chicken coops have now been constructed in 10 other locations.



A third example was the design and construction of a simple greenhouse, first for the Santo Tomas group in Agua Escondida, Tecpan. The design uses a basic wood structure and a combination of plastic sheets and screens to achieve the optimum level of heat and ventilation. AGIL

contributed \$2000 toward the construction, with a total cost of only \$20 per square meter. Greenhouses have now been constructed at 2 other locations.



The final innovative infrastructure construction, using the AGIL program's small grants component, was a small bakery for the LeStansa producer group. AGIL contributed \$5,000 toward this project, with the community again contributing labor and materials. The cost was somewhat elevated as the community decided to reinforce the roof so that it could be used as the floor for a cold storage unit (the bakery is located directly below the packing shed). The \$5,000 includes basic bakery equipment – an oven, minor utensils and 2 weeks of baking supplies.

## 2. Implementation Principles

1. A project with broad goals such as AGIL must be careful to maintain a flexible, evolving strategic focus that allows for creative adaptations over time. None of the three special interventions described above was contemplated in the program design, but all have been extremely important to the program's success.
2. If a project has a short-time span, it is preferable that it focus on producer groups that have already had experience producing products for commercial sale. A more extended period of technical support is required to initiate producers in new economic activities, or to adopt new product styles. However, under the right conditions, investment in new economic activities can be effective, even in projects with a short implementation span.
3. It is better to increase the complexity of the enterprise gradually, for example beginning first with simple improvements to existing marketing practices, then expanding to export through knowledgeable brokers, and finally to direct export. This allows the group to gain competence through direct experience while lowering the risk factor.
4. Emphasis must be given continually to the need for the group to be responsive to market demand, which is constantly changing, and to focus on meeting or exceeding either domestic or international quality standards. Direct communication is needed between the producer group and the buyers in order to assure that these principles are established.
5. Identification of diversified economic opportunities at the village level benefits from creative thinking. The AGIL project did not initially contemplate construction of chicken coops, but this is a highly appropriate initiative that is benefiting very poor women.
6. Small, low-cost infrastructure projects can have a catalytic effect in stimulating rural enterprise development.

## 2. More Micro-entrepreneurs Expanding their Businesses

This section will describe the AGIL activities in pursuit of the second sub-objective. The focus of the program was on increasing micro-entrepreneur access to credit. It includes discussion of efforts to design and disseminate micro finance tools, develop micro finance organizations, and coordinate multi-donor assistance both with micro finance and business development services.

### i. Design of Micro Finance Tools

Initially, the AGIL project design focused efforts on working with Guatemalan commercial banks to encourage them to lend to micro-entrepreneurs, and to lend to micro finance organizations serving this clientele. However, it soon became apparent that although the banks were interested in serving this sector, the principal constraint limiting access to credit by micro entrepreneurs was the systemic weakness of micro finance organizations that are their chief source of financial services. These organizations have an outreach capacity that is larger and more cost effective than that of the commercial banks, and if they are financially solid they can serve as effective intermediaries between the banks and the micro-entrepreneurs.

AGIL therefore focused its efforts on activities that would strengthen these intermediaries, first by developing appropriate micro finance tools. The most recent effort to survey the micro finance organizations in Guatemala identified 48 different organizations. These have been created by a wide variety of national and international development organizations, and range from very small organizations to relatively sophisticated financial institutions. The haphazard, unregulated development of these organizations has led to a lack of uniformly accepted financial procedures and controls, which in turn lessens their credibility as potential clients of formal financial institutions.

In order to address this concern, AGIL has undertaken the following initiatives:

- Design and implementation of a uniform accounting manual and list of accounts: The first step needed to improve the credibility of micro finance organizations was to develop a uniform accounting manual and list of accounts that would assure that the accounting information of the micro finance organizations meets national and international norms. Without such a system, commercial banks would have little confidence in the financial information provided by prospective borrowing organizations. Similarly, without a reliable accounting system, donor organizations are reluctant to provide needed support. AGIL took the lead in designing a standard micro finance accounting manual and list of accounts, which was submitted to review by the Guatemalan Ministry of Economy, the principal micro finance organizations, and the principal donors working in the sector. The unanimous conclusion was that these were



excellent instruments that should be adopted by all micro finance organizations in Guatemala. The Ministry of Economy has subsequently adopted the manual and list of accounts as a requirement for any organization seeking its support, as have the principal commercial banks and international donors providing support to the sector. Support is being provided by AGIL, the Ministry of Economy, the Inter American Development Bank, and USAID (with resources separate from the AGIL project) to help the micro finance organizations adopt and implement the accounting manual and list of accounts.

- Design and implementation of a uniform set of financial and organizational development indicators: Once the micro finance organizations have adopted accounting systems that accurately portray their financial situation, they are able to calculate key financial and organizational development indicators which provide key information concerning their profitability, liquidity, risk exposure, rate of growth, etc. As the micro finance organization management and Board members are trained in the use of these indicators, this leads to better and more timely management interventions. The AGIL technicians, in cooperation with other donors, the Ministry of Economy, and leading micro finance organizations, developed and disseminated an indicators manual for use by the participating organizations.
- Uniform information system: Once the accounting manual, list of accounts, and indicators were adopted, the next stage was to design and implement uniform standards to be met by management information systems used by the micro finance organizations. These systems automatically collect and report the key indicators and related information for use by the organization's management and Board members, and supporting institutions, to determine the health of the institution. AGIL technicians have worked with several such information systems and have identified what they consider the optimal one. However, at this point there is no uniform agreement between the Ministry of Economy, the principal donors, and the leading micro finance organizations, as to which system is best. This is not a serious issue, however, as several systems could meet the minimum standards in assuring that required reports are prepared in a timely and accurate manner.
- Best practices manual: The fourth AGIL initiative was to sponsor a cross sector conference, with significant participation from Guatemalan micro finance organizations and international experts, to identify a list of best practices that have proven fundamental to successful development of micro finance organizations. The results of this conference were incorporated into a micro finance best practices manual, which has been disseminated within the sector.
- Internal controls: As part of their assistance, the AGIL technicians have placed particular emphasis on adoption of appropriate internal controls that assure that the micro finance organizations meet the requirements of Guatemalan law. The focus has specifically been on meeting tax reporting requirements and avoiding possible criminal liabilities for fraudulent practices. It should also be noted that the AGIL technicians have been consulted extensively by Guatemalan Government officials (Ministry of Finance, Ministry of Economy, and Central Bank) concerning planned modification of laws affecting the micro finance sector.
- Other tools: Finally, as part of their effort to improve operations of the sector, the AGIL technicians developed a dictionary of micro finance terms to avoid confusion by assuring that all persons involved have a common basis of discussion.

## **B. Comments**

The use of standard accounting and financial management procedures has been one of the fundamental building blocks of modern economic development, and the absence of these norms has been a major impediment to the development of the micro finance sector. Although the AGIL program was not specifically designed to provide this structure to the micro finance sector, it became clear that this was the primary constraint to growth, and the project responded. It will be important in the design of similar initiatives in the future to assure that such norms are in place, or to place first priority on creating them and as important train not accountants in their use, but also managers and board members in their interpretation.

## **C. Expanded Coverage by National and Village Micro Finance Organizations**

AGIL's use of competitive grants to assist Guatemalan technical service organizations to extend their services within the target eleven municipalities was discussed above. These grants were also available to micro finance organizations, to extend their services within the target region. A total of seven grants were approved and implemented - ACT (two grants), MUDE, CESIDE, FAFIDESS, IIDEMAYA, and COOSANJER. The project also provided technical support and/or small grants for equipment and software to a small micro finance organization (AMMI), seven technical service organizations that have also undertaken credit programs (Talita Kumi-FUNDEMI, Centro Maya, ADISA, ACODIHUE, ASOCUCH, and APAPTIX), and two international NGOs that sponsor micro finance activities (CRS and SHARE).

Of the six micro finance organizations that have received grants, five were to assist the organizations to expand existing service capacity into the target areas of the program. The sixth (FAFIDESS) received a grant to implement a program to incorporate the use of hand held personal computers (Palm Pilot) to allow field agents to provide more effective loan planning guidance and to upload current information on loans directly to the main data base. The second grant provided to ACT was designed to help the organization improve the communication of data between field agencies and regional and national offices. All of these grants were successful in meeting their objectives. In contrast to many of the technical service organizations, the sustainability of the activities supported with these grants is not an issue, as the organizations only needed to meet the planned targets for volume of operations, margins on loan activities, and loan delinquency, in order to attain this goal.

Support for the small, women's lending organization in Nebaj (AMMI) involved provision of computer equipment and software, installation of the AGIL list of accounts and accounting and management information systems, and training of AMMI directors and management in the use of these tools. The project also helped connect AMMI to BANRURAL, where it received financing from a special trust fund, enabling it to expand its operations. The assistance provided to the technical assistance service organizations is related to that already described in Section II.B. CRS and SHARE sought training and technical advice from the AGIL program technicians in order to improved their micro finance assistance.

The use of grants under this program to help existing micro finance organizations to expand their service capability into the target geographic areas has proven to be a cost effective mechanism to achieve the program objectives. The other activities described above have also been successful in improving the quality of micro finance services available to the target micro entrepreneurs.

#### **D. Multi Donor Coordination of Micro Finance Initiatives**

##### **ii. Description**

The Comité de Cooperantes Internacionales para la Micro Finanza (CCIMF) was established in April 2002 as a means to coordinate the assistance provided by the principal international donors assisting the micro finance sector. Membership includes the Inter American Development Bank (IDB), the Central American Bank for Economic Integration (CABEI), the World Bank (IBRD), the Deutsche Gesellschaft für Technische Zusammenarbeit (GTZ), the United Nations Development Program (UNDP), the European Commission (EC), and the United States Agency for International Development (USAID), the Belgian cooperation agency, and the Swedish Embassy. CCIMF was established when several of the donors found that there was duplication of efforts in supporting specific micro finance organizations, and to respond to a common concern about the need for uniform information about the status of the sector.

From the beginning, the multiple donors group asked the AGIL Chief of Party to assume the role of discussion leader and executive secretary of CCIMF, with the support of the respected AGIL technicians specializing in this sector. The accounting manual and list of accounts designed by AGIL, and the other financial tools described above, were quickly adopted by CCIMF as standard instruments for use by all donors. AGIL was subsequently charged with developing a strategic agenda that would become the basis for CCIMF activities during its second year of operation. The CCIMF has also undertaken the publication of a joint Newsletter with current statistics on the micro finance sector in Guatemala, which allows all donors to have a common basis for planning assistance activities. Finally, CCIMF has proven an invaluable vehicle for multi donor review of draft Government of Guatemala laws affecting the sector.

##### **iii. Observations**

CCIMF is a uniquely effective example of donor coordination. Usually such efforts are overcome by institutional jealousies and conflicting agendas, but the participants in CCIMF have shown a particular recognition of the advantages to be obtained by all from effective cooperation. The Government of Guatemala also deserves credit for its support for this vehicle, as host governments often become nervous that donor cooperation could be a tool of pressure rather than support. Finally, the AGIL team's success in guiding this activity is a credit to the program.

### 3. Monitoring and Evaluation

#### i. Description

AGIL was charged with providing monitoring and evaluation support services for all activities implemented under USAID's strategic objective four. This involved activities of a dozen different institutions primarily in the target regions, but in some cases in other parts of Guatemala. There were two principal types of activities carried out under this project component. The first was to collect and present the sets of predefined results indicators, allowing USAID to monitor the impact of all programs in achieving its higher order objectives. The second task was to sponsor basic analytical surveys needed to establish baselines and examine issues of particular concern.

The difficult phase for the collection of data on indicators across the SO came at the start up, when many implementers were wary of sharing information, and often lacked a clear commitment to a uniform monitoring system. There were also a number of issues at the commencement of the program, as the indicators used by different organizations lacked common definitions, and therefore could not be simply summed. In some cases, some of the implementers were using data definitions required by their home offices, which made change difficult. Resolution of these issues required considerable effort by the AGIL technicians, and these discrepancies were not fully eliminated until the end of the first year of the three year AGIL program. Even after uniform data sets were clearly defined and accepted by all parties, obtaining timely reporting required constant follow up throughout the life of the AGIL project. With the completion of AGIL activities, USAID staff will now assume directly the responsibility for collection of the monitoring data. This will be an additional work load at a time when USAID staff is being reduced, and will need the full cooperation of all implementers.

In addition to a lack of awareness of why a uniform results-oriented monitoring and evaluation system needed to be implemented, many SO4 partners initially were uneasy about the role AGIL would play as a leader in developing the so-called "uniformity" in the system. AGIL undoubtedly was the 'new kid on the block,' and many of the organizations already had a long track record working in Guatemala and with USAID. There was a degree of unease related to the scrutiny their own systems would undergo, as AGIL's M&E activities required making the initial diagnoses of each partner's M&E system. Fortunately, through a combination of offering technical assistance in improving partners' systems and through developing an amicable and collegial relationship with the partners, AGIL was able to engender trust and confidence in the partners, and basically the level of compliance and participation in improving the M&E systems individually, and the effort toward erecting the "uniform system" proceeded in a remarkably smooth manner.

There were numerous indicators AGIL had to track for the entire SO. Briefly, they are as follows:

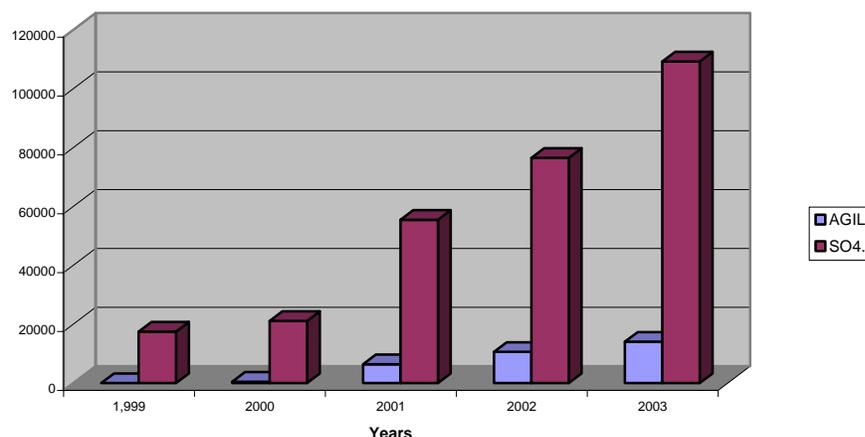
*1) Small Farmer Participants (this broken down into (a) small farmers receiving technical assistance, (b) small farmers incorporating improved agro-forestry techniques, and (c) small farmers incorporating higher value crops into their production regimen)*

- 2) *Small Farmers with Secure Access to Land (Land Titles Awarded by Fondo de Tierras)*
- 3) *Rural Finance Participants (Microentrepreneurs receiving loans through USAID-supported Trusts or through other programs working in the SO4)*
- 4) *Employment Generation (At present using an algorithm-generated figure based on credits disbursed)*
- 5) *Household Income Changes*
- 6) *Public and Private Investment in Market Towns*
- 7) *Nutritional Indicators (“Global”, weight-for-age figures obtained from Food-Aid PVOs)*

The M&E Component of AGIL tracked indicators for the project AGIL itself, as well as for the entire SO for USAID. Indicator 5 (household income changes) required tracking through more sophisticated techniques, and is described at greater length below. The rest of the indicators largely consist of counts submitted by the partner organizations, and herein lies the arena for the development of the AGIL uniform results-oriented system. Of this list, the principal indicators were one (small farmer participants) and three (rural finance participants). The gains in number of participants for these two indicators was phenomenal, and it required that the targets be continually reset by the Mission during the Annual Portfolio Reviews. For example, the target of small agriculturalist benefiting under the SO for the year 2002 (set in 1998) was pegged at 25,000. Due to the identification of a much greater number of participants in the various SO programs, in 2002, the target was reset to 60,000, and for 2003 it had to be reset to 103,000.

The following tables and graphs depict the changes of target indicators over the life of the SO.

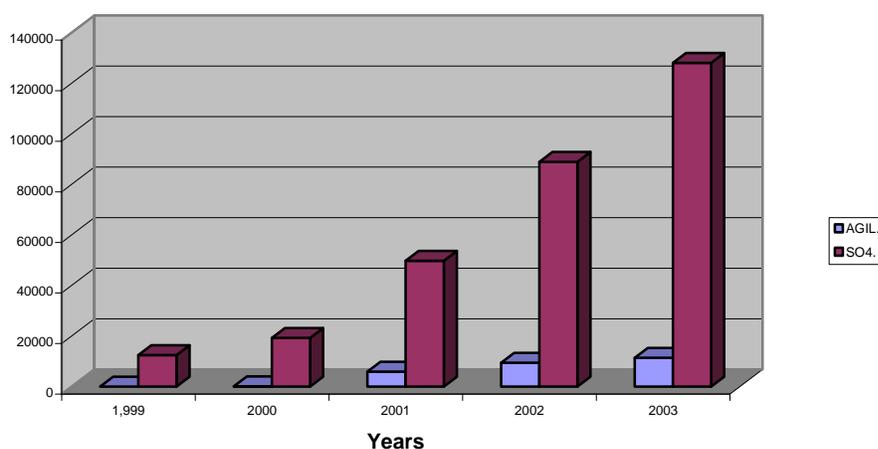
**Small Farmers Receiving Assistance, 1999 a 2003**



**Number of Agriculturalists Participating in Programs from 1999 through 2003**

Organizations/ Years	1,999	2000	Annual Percent Increase	2001	Annual Percent Increase	2002	Annual Percent Increase	2003	Annual Percent Increase
AGIL.*		455		6,393	1,305.00	10,595	65.70	14,055	42.80
SO4**	17,500	21,122	20.70	55,489	162.00	76,527	37.90	109,292	21.80

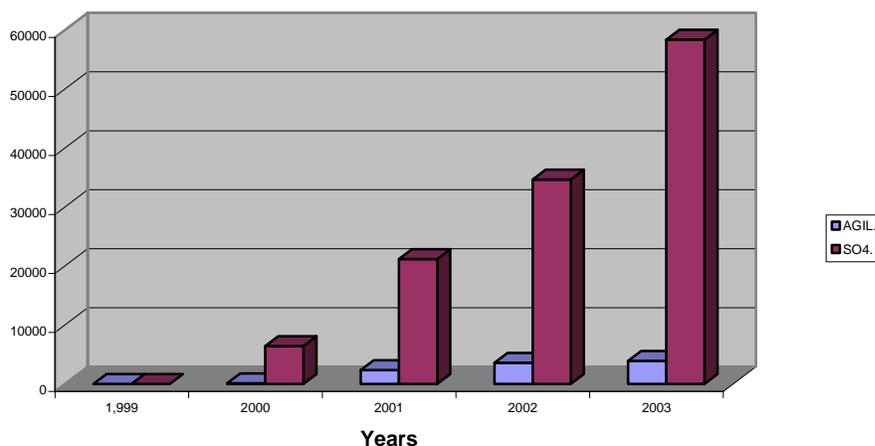
**Microenterprises Receiving Credit, 1999 to 2003**



**Number of Microentrepreneurs Participating in Programs from 1999 through 2003**

Organizations/ Years	1,999	2000	Annual Percent Increase	2001	Annual Percent Increase	2002	Annual Percent Increase	2003	Annual Percent Increase
AGIL.*		175		5,957	3,304.00	9,481	59.20	11,403	20.30
SO4**	12,500	19,295	54.40	49,809	158.00	88,915	78.50	128,071	44.00

**Growth in Employment Generation 1999–2003**



**Number of Jobs Created in Programs from 1999 through 2003**

Organizations/ Years	1,999	2000	Annual Percent Increase	2001	Annual Percent Increase	2002	Annual Percent Increase	2003	Annual Percent Increase
AGIL.*		109		2,369	2,073.00	3,588	51.50	3,926	9.49
SO4**		6,439		21,191	229.00	34,667	63.60	58,375	68.40

The spectacular growth rate of the SO program was not anticipated by USAID for three reasons: 1) when the funds were allotted to USAID/GCAP to help ensure the implementation of the Peace Accords in 1997, the Mission did not anticipate the expansion of the Food Aid Partners into new zones of the Zonapaz, and therefore, this factor was not directly figured in during the setting of original targets; 3) Guaranteed Trust funds for microcredit programs to BANRURAL and BANCAFE, principally, provided security for the banks much larger than originally conceived, and since the microcredit programs in these two banks came largely under the impetus of USAID long before the beginning of the Strategy, USAID figured itself worthy of claiming credit for indicators relating to rural finance in areas outside the Zonapaz, and 3) the efficiency of instituting a comprehensive M&E system across the partner network made for a more efficient tracking of the number of participants in the rapidly growing development interventions.

The M&E system for the partner network was developed through a consensus building approach, and this process ensured a “buy-in” of commitment, even though it represented considerable additional effort on the part of the partners. AGIL initially developed the reporting platform in the form of Excel electronic spreadsheets. The periodicity of reporting was stepped up through the implementation of the system, from a once per year reporting cycle to a twice per year one, and in the case of some indicators, four times per year. The specificity of reporting at the geographic focus went from a departmental one, at best, to a municipio-based one. In the case of small farmers, greater detail in reporting was required of the partners so that they could

report not only the number of farmers participating from receiving technical training, but also, to account for farmers who adopted new, more efficient agro-forestry techniques, as well as those who adopted new, higher value cultigens. All of the indicators required break-outs by gender and ethnicity.

The SO4 partner framework now has a semi-automated system that is uniform, and disallows certain unreliable data to be entered (with respective 'filter' limits). As USAID assumes the task of consolidating the indicator information, the formidable task will be greatly enabled by the system. The platform is in EPI-INFO 2002, a public domain software not requiring licensing, but the data can easily be reverted to Microsoft Access, where the project official carrying out the M&E tasks in USAID can manipulate and transform the data to render the required reporting formats for the Mission and for Washington.

AGIL experimented with a GIS platform, using ESRI's ArcView™ software. Believing that GIS-based M&E systems have far greater analytical power, as well as superior presentational format than conventional data representations, the AGIL M&E team organized a partner-wide training program. The week-long training course in the direct use of ArcView™ was precluded by a diagnostic survey carried out by the three trainers. The team, all former employees of USGS, are highly experienced, not only in the technical dimensions of GIS, but know how to work with a multitude of organizations with varying skill ability. After the intensive week course at the command center of Guatemala's National Emergency and Disaster Commission (CONRED), the team performed follow-on technical assistance to develop tailored applications for the different partners. In the case of the four Food Aid PVOs—CARE, SHARE, CRS, and Save the Children, nutritional indicators and the backdrop 'layers' of natural resource data, such as soil type, rainfall, vegetation cover, temperature, etc. became a preeminent focus of their training. In the case of ANACAFE, particular applications in the use of GPS and digitizing parcels was done to strengthen its certification of origin program for Guatemalan coffee. The Ministry of Environment, the Ministry of Agriculture, and the Q'eqchi' staff from the University of Idaho community resource mapping project in Chisec received special attention on natural resource mapping within a context of land use and ancestral land claims.

In addition to the 'monitoring' part of the M&E tasks for USAID's SO4, AGIL concentrated on evaluation through a series of studies. The first of the specific studies carried out to provide analytical support to the USAID strategic objective was the analysis of the Encuesta de Bienestar Familiar (EBF) carried out by the Universidad del Valle with USAID funding in 1999. This survey gathered baseline information on the strategic objective's target municipalities, but the information had not been incorporated into a useful analytical document for use by USAID and the various program implementers. The general report reported all the findings at a general level, and AGIL took the raw data sets and analyzed all the key variables at the municipio-level in order to have more localized contexts for interpretation and for mounting implementation programs.

AGIL continued to conduct sample framed field studies using rigorous social science methodology. In 2001, a mid-point 'barometric reading' was carried out by revisiting approximately half of the households originally interviewed in the EBF survey. And now, the endline survey to measure the general SO4 impact is delivering results indicating that the state of

the rural Guatemalan economy is in worse stead than it was when the first survey was conducted five years ago. Household income is 13.5 percent less than it was then (in real terms, adjusting for inflation), and household expenditures in all areas, including food consumption, clothing, and healthcare are down. All this points to a general slowdown in the Guatemalan economy stemming from the coffee crisis, and policies and investment shortcomings on the part of the national government. The only increase in household expenditures is in the area of education, and this could be a positive change (more value placed on education), or it could be negative (school cost increases are way disproportionate from other expenditure categories).

AGIL conducted a series of other studies to determine household income changes among participants in income generation activities. The three point study carried out among the small farmers involved in LeStansa determined the magnitude of household income increase that could be gained through relatively small, cost saving interventions. To “tell the story” of its flagship project, AGIL produced a video of LeStansa, and this was widely used among partner organizations and the MAGA.. Household income surveys were carried out among other agricultural groups and artisans, and the results attest to the rapid gain in income generation a small organization can achieve in the package of technical assistance and critical, low cost interventions used by AGIL.

AGIL placed considerable M&E effort on food security issues because of the importance of the Food Aid program in the SO. In addition to the GIS training mentioned above, AGIL analyzed nutritional data during the food emergency at the end of 2001, and participated in the development of emergency programs, in coordination with the Ministry of Health, Ministry of Agriculture, UNICEF, and other organizations. Specifically, AGIL reanalyzed various data sets belonging to several of the Food Aid Partners in order to geographically pinpoint “red zones” of high malnutrition. In the case of CARE, data was taken to the GIS level, and this served as a model for building the consensus to elevate the SO4 partner M&E framework to a GIS capacity. Additionally, the models serve as foundations on which the regional FEWSNET program can build on, by developing initial GIS capacity and by modeling interactive variables at the root of food insecurity.

AGIL participated in the National Stature study carried out in all the government primary schools in the country. AGIL financed part of the data analyses, and subsequently assisted Abt Associates Inc. in the execution of the comparative analyses of stature studies carried out by Emory University professionals in order to gain longitudinal perspective on chronic malnutrition in Guatemala (stunting). Guatemala is still a country with high degree of malnutrition, and it is estimated that the problem will not be alleviated for another 20 years (for non-indigenous people) and 83 years (for indigenous). Indeed, the recent Demographic Health Survey (DHS, or ENSMI, in Spanish) showed no improvement in chronic malnutrition since the previous survey in 1998-99. USAID’s targets for reduction in chronic malnutrition stipulated a ten percent reduction in selected regions of the country, yet held steady in reality, due to the deteriorating economic situation in rural areas.

USAID required all Missions in the world to certify data integrity for its reporting systems, and in this regard, AGIL participated to certify data from all the SO4 partner organizations. USAID recognizes the substantial improvement the SO4 monitoring and

evaluation work gained under the AGIL project. Prior to the development of a “uniform, results-oriented M&E system” under the contract, the monitoring of indicators was carried out in the INR office after a meticulous and time-consuming review of the reports sent in by each of the partner organizations. The data presented to Washington now meet Agency requirements, having undergone rigorous collection and screening processes. There are 16 programs operating out of 15 partner institutions (CARE has two), and all of these organizations are integrated into the uniform results-oriented monitoring and evaluation system developed by the AGIL Project. Each of the independent M&E systems that feed into the unified system has been scrutinized and realigned where needed by AGIL, minimizing the risk of erroneous data reporting. In addition, each organization was interviewed using the DQA instrument, and the data collected in the interview were cross checked with parameters known in the existing knowledge base regarding each institution’s M&E system. The time series analyses applied to the data helps flag spurious reporting in some of the data rubrics.

There are two types of data addressed in the DQA guidelines: (1) data collected through rigorous survey techniques, and (2) day-to-day operational data. With regard to scientific survey data, addressing issues of validity and reliability in the DQA, the four food aid partners and AGIL engaged in these studies, and independent scrutiny and accompaniment on the part of the Abt Contractor and USAID officials themselves attest to the rigor of methodologies applied at all points in the survey process. With regard to general monitoring data generated in all of the IR activities, the M&E systems are found to be exceedingly robust and managed by highly competent personnel. In the case of IR1 (farmer participants, incorporation of agro-forestry best practices and crops of higher value, plus secure access to land), a system of close supervision and monitoring, replete with randomized checks, ensures the integrity of the data. In the case of IR2, the data emanating from credits and microenterprise technical assistance activity is generated from the same management information systems used by the financial institutions. In the case of IR3—public and private investment—the data may be somewhat fuzzy, due to the impossibility of securing access to financial documents denoting public and private investment. However, a cross check with different informants and a purposeful erring on the conservative side of the estimate makes these data credible. With regard to malnutrition data in IR4, careful supervision of the measurement of children ensures high data quality, and matched with the sampling frame methodologies used in the baseline assessments, the tracking of the changing community nutritional picture can be deemed true to reality.

#### Other Studies:

The M&E Component of AGIL carried out specific analyses at the request of USAID. One of these pertained to the Ixil Region of Quiché. Because a multi-organizational intervention was focused on the region, AGIL prepared a basic background paper on that region. The paper included a section on market centers and bundling spheres within regional market frameworks. The diagrammatic representation of market clusters assisted the effort to develop the concept of the Ixil region as a unit in which production and commercialization in the area could serve the same Ixil region population.

Two other studies carried out by the M&E component sought to determine relationships between credit and employment generation and household structure and child malnutrition. The reason

for doing so was a feeling of discomfort with the straight algorithm we applied to credit disbursements. Both the literature and the field studies we piloted provide inconclusive results, and to obtain a direct ratio of employment based on credit is an elusive proposition. What we have determined is that there does exist an elastic response of employment generation to credit, but meaningful frames of analyses reduce sample sizes too small to be able to make any concrete statement on the matter. In the future, a study with a very large sample should be carried out in order to truly ascertain these relationships.

With regard to household structure and child nutrition, additional studies should be carried out, but in the analysis undertaken with data from Save the Children's PROMASA project, it appears that there is a relationship of higher malnutrition prevalence in those families with high dependency rates, as well as among those children who are not first or second born. In other words, corroborating the 2002 Demographic Health Survey (DHS), children who are third born, or next on the birth order sequence, have a slightly greater tendency (significant at  $P < .03$ ) to suffer global malnutrition (weight for age) than those who are first or second born.

The M&E component sponsored several activities to further the cause of gender equality. AGIL worked with USAID and the MAGA, sponsoring two workshops, and commissioned a piece on gender aspects related to microfinance.

## **ii. Lessons Learned**

Use of a single contractor to provide monitoring and evaluation services across an entire strategic objective is a cost effective means to generate required data. Initially, there was some resistance to the AGIL coordination role, but the various program implementers eventually saw the service as one that would facilitate their own work. As mentioned above, the technical orientation provided by AGIL gained the respect of the various partner organizations, and whatever slight initial recalcitrance there was on the part of the already established SO partners was quickly overcome through the building of confidence in the overriding system under construction and through the disposition of the AGIL M&E team to assist partners in developing special M&E applications. In addition to the uniform reporting codes described above, AGIL designed specific data collection forms and analytical protocols for particular institutions, including AGEXPRONT, CARE, CRS, Save the Children, and SHARE.

With regard to the monitoring and reporting of general indicators, a uniform, results-oriented M&E system can benefit significantly from available internet technology. AGIL developed the semi-automated system that will significantly assist USAID in managing and analyzing the information after the close of the AGIL project. However, there is still a level of manual intervention that has to enter into the equation in order to gain true quality in data reporting. The system will only be as good as the data that is keyed into it—the proverbial 'garbage in-garbage out' adage of information management, and a solid level of scrutiny and check-back mechanisms will continue to be needed to maintain good grounding in the M&E effort. Invariably, the friendly telephone reminder to organizations remiss in promptly sending electronic reports will also be in order.

Personnel rotation in USAID's partner organizations inhibits capacity building in monitoring and evaluation efforts, as it does in any technical area. Through the four years of AGIL, we have seen many individuals working the M&E area come and go, and with each change, we have been required to provide a new orientation to the system, and in some cases, special measure to ensure the new personnel gains the required skills for the system.

The M&E team of AGIL would have liked to have been able to offer more assistance to the organizations working directly with the program—the so-called AGILITOS—because it is these organizations that carry on the work and models developed by the project in their respective operating areas. We feel that they could have benefited from some additional technical input and orientation, and they certainly were eager to learn and participate. Given the magnitude of the M&E work to cover the bases with the major partners of the SO, however, it was impossible to provide them with what we considered an optimum level of assistance.

The qualitative dimension of M&E work is important, and it is especially useful in 'telling the story behind the numbers.' We felt it incumbent to instill a sense of proprietary participation of M&E personnel in their respective organizations so that they become more involved in that story telling, and that was one reason why the Estancia documentary was produced and distributed to the partners. Had AGIL itself been the only operational theater of the M&E Component, it would have been possible to devote greater effort in shoring up qualitative data collection and analytical capacity in these institutions. Given the extensive dispersion of the AGILITO organizations, and moreover, the time commitment required to assist the larger SO partners in improving their M&E systems, it was impossible to assist the AGILITOS in all these ways. Still, these organizations made significant improvements in the M&E efforts with the participation they had in the process, and it appears that for their future sustainability, the increments in their M&E skills will be useful to them.