PD-AAH-581

521-0083

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CLASSIFICATION

# PROJECT EVALUATION SUMMARY (PES) – PART I

Report Control Symbol

| 1. PROJECT TITLE | 2. PROJECT NUMBER | 3. MISSION/AID/W OFFICE |
|---|---|---|
| Small Farmer Marketing | 521-0083 | Haiti |
| | 4. EVALUATION NUMBER (Enter the number maintained by the reporting unit e.g., Country or AID/W Administrative Code, Fiscal Year, Serial No. beginning with No. 1 each FY) ☒ REGULAR EVALUATION ☐ SPECIAL EVALUATION | |

| 5. KEY PROJECT IMPLEMENTATION DATES | | | 6. ESTIMATED PROJECT FUNDING | 7. PERIOD COVERED BY EVALUATION |
|---|---|---|---|---|
| A. First PRO-AG or Equivalent FY 77 | B. Final Obligation Expected FY ___ | C. Final Input Delivery FY 82 | A. Total $ ___ B. U.S. $2,200,000- | From (month/yr.) 1/79 To (month/yr.) 6/80 Date of Evaluation Review 1/26/81 |

8. ACTION DECISIONS APPROVED BY MISSION OR AID/W OFFICE DIRECTOR

| A. List decisions and/or unresolved issues; cite those items needing further study. (NOTE: Mission decisions which anticipate AID/W or regional office action should specify type of document, e.g., airgram, SPAR, PIO, which will present detailed request.) | B. NAME OF OFFICER RESPONSIBLE FOR ACTION | C. DATE ACTION TO BE COMPLETED |
|---|---|---|
| Prepare Implementation letter notifying IHPCADE of USAID position and proposed recommendations. Target dates (see Actions page 11) | L. A. Morales, ADO<br>A. Williams, PDC | 3/31/81 |

| 9. INVENTORY OF DOCUMENTS TO BE REVISED PER ABOVE DECISIONS | | | 10. ALTERNATIVE DECISIONS ON FUTURE OF PROJECT |
|---|---|---|---|
| ☐ Project Paper | ☐ Implementation Plan e.g., CPI Network | ☒ Other (Specify) Imp. Letter | A. ☐ Continue Project Without Change |
| ☐ Financial Plan | ☒ PIO/T | ☐ Other (Specify) ___ | B. ☐ Change Project Design and/or ☐ Change Implementation Plan |
| ☐ Logical Framework | ☐ PIO/C | | C. ☐ Discontinue Project |
| ☐ Project Agreement | ☐ PIO/P | | |

| 11. PROJECT OFFICER AND HOST COUNTRY OR OTHER RANKING PARTICIPANTS AS APPROPRIATE (Names and Titles) | 12. Mission/AID/W Office Director Approval |
|---|---|
| ~~Louis~~ A. Morales, ADO<br>for | Signature<br>Typed Name Allan R. Furman<br>Date 3/18/81 |

AID 1330-15 (3-78)

Initially, this PES was due to be rendered to USAID/Washington on November 1980. Because of the dynamic nature of certain developments (i.e. pending ratification of Amended Agreement of PCC and scheduled Bi-monthly and PES Reviews of this project), it was felt that, for the sake of completeness, it would be better to delay delivery of this PES in order to incorporate the findings of these activities and their impact on the project within the scope of this report.

## Introduction

This paper is organized into three parts. The first summarizes the major recommendations of Dr. Alvaro Jiménez Castro, who evaluated the Small Farmer Marketing project (083) and rendered his report to USAID/Haiti on August 15, 1980. The second reviews the status, design and implementation of the project as of December 10, 1980, in light of the amended Agreement and an internal IHPCADE evaluation. The third consists of a Status Report of the project, as of January 26, 1981 identifying achievements, constraints and recommendations.

## Part I - Summary of Major Recommendations

(1) Effectiveness of Coffee Cooperatives - The evaluation recommended that USAID should continue with the core idea of the project to set up an alternate coffee marketing system for the small coffee producers through a system of cooperatives: producer cooperatives, Committee of Coffee Cooperatives (CCH), and the planned Federation of Coffee Cooperatives (FCC).

Central to the success of the project is the viability of the coffee cooperatives. With regard to cooperative development two issues were of specific concern: economies of scale and diversification of activities.

The cooperatives need to buy and sell substantial volumes of coffee, and have sufficient funds to manage operations effectively. The ideal level of operations to achieve economies of scale was not specified, but it is apparent that the evaluator considered present levels to be below par, in both instances.

To go hand-in-hand with increased volume of operation, it is desirable that the cooperatives diversify their economic activities, given the fact that coffee production is seasonal. Accordingly, processing equipment at the cooperatives would generally lie idle for several months of the year. To remedy this situation, it was recommended that the equipment be put to use to process other crops, such as corn, for example. Other possible activities include the setting up of bazaars and utilizing CCH idle personnel to sell tools and domestic products in areas of operation.

It should also be mentioned that management officials in the CCH and the cooperatives need to be well-trained in order to effectively manage their respective organizations. In this regard, the evaluator indicated that the PCC should provide whatever technical and managerial support that the CCH or cooperatives might need.

(2) Marketing Information - Administrators of the PCC should become familiar with the techniques of getting and analysing data on world-wide coffee market conditions, in order to make informed decisions on the buying and selling of coffee. Such information should be made available to all of the project's cadre.

(3) Revolving Fund - This refers to the funds that are to serve the credit needs of the CCH in its coffee buying, selling and processing operations. At the time that the evaluator was writing his report, negotiations were taking place between USAID/Haiti and the CCH, concerning the setting up of the $500,000 fund. Dr. Jiménez urged that the fund become

operational as soon as possible. It was also indicated that the Bureau de Crédit Agricole (BCA) might increase its credit to CCH and coffee cooperatives.

(4) Transfer of Functions from CNCC to CCH - The evaluator underscored his concern that the Centre National de Preparation du Café (CNCC) might develop into a quasi-governmental bureaucracy, with all of the concomitant adverse consequences that such an eventuality might entail. To circumvent this potential danger, he proposed that the functions and responsibilities originally given to the CNCC, be transferred to the CCH and eventually, to the FCC.

The two latter organizations have, by design, the capability to function more independently than the former, since they are cooperative organizations. Under this scheme, the CCH would buy the coffee from the coffee cooperatives, process it according to standards of quality, and sell it to the world market at the most profitable price. The construction of the pilot center and installation of equipment should be accelerated so that it could begin performing its processing, packing and exporting functions.

Because of its increased importance, the evaluator stressed that extra care go into the selection of CCH officials, especially that of the commercial agent. The latter will be responsible for buying and selling coffee on behalf of the CCH, so a system of checks must be developed to make sure that he does not become involved in extra-legal activities. Measures to be taken were not identified.

(5) Relations Among the PCC, CCH and Coffee Cooperatives - Regarding relations between the PCC and CCH, Dr. Jiménez stated it was the duty of PCC personnel to render technical and administrative support to CCH. This should be done, however, without a paternalistic attitude on the part of the former, which might stifle the development of the latter. It should be kept in mind that the faster CCH attains operational autonomy, the better. In hierarchical structure, the evaluator noted the PCC has overview authority on the CCH, but in what capacity and to how great a degree were not made clear.

As concerns relations between the CCH and the coffee cooperatives, he underscored the importance of a modus operandi agreement among those organizations. He is of the opinion that such an agreement should obtain at the outset, and that the terms should be clearly spelled out . In the event of conflicts or disagreements between these units, the PCC should arbitrate.

(6) GOH Tax Policy on Coffee - It is the contention of the evaluator that the taxes levied on exported coffee by the GOH are too high. This,with the accompanying high rate of inflation in Haiti, and the recent decrease in the price of coffee on the world market, serves as a disincentive for the coffee producers to increase production.

## Part II - Comparative Analysis of Project Implementation in Relation to Evaluation Findings

(1) Technical assistance and Training - Although Dr. Jiménez did not address himself at length to training in his report, the success of the whole project depends a good deal on its realization. The key to the whole project is the viability of the cooperatives as autonomous, thriving entities. This goal can hardly be achieved without a knowledgeable and well-trained staff.

In the original Project Agreement (1977), substantive provisions were made for technical training and assistance for all of the institutions created by the PCC: cooperatives, CCH, CNCC, and CEPEC (Article 4, section 4.2 and 4.3). In the amended version (1980), such provisions were deleted, although there was mention of technical training on a more modest scale elsewhere (Amended Annex 1, c-1 and c-2). Table I compares the original with the amended Agreement with respect to funding for training and technical assistance.

While echoing the evaluation's emphasis on cooperative viability in the general sense, the amended Agreement actually undermines it by cutting more than half of the funds allocated for technical assistance and training in the original Agreement.

(2) Marketing Information - In the area of making PCC officials proficient in marketing techniques, the 1977 Agreement had earmarked $303,000 for that purpose, while the 1980 version's corresponding amount is $144,000, resulting in a decrease of approximately 47%.

## Table I

### Comparison of Financial Tables of 1977 and 1980 Agreements

| Category | 1977 Agreement [1] | 1980 Agreement [2] | Difference |
|---|---|---|---|
| Technical Assistance | $985,000 | $280,000 | $-705,000 |
| Technical Training | $110,000 | $ 72,000 | $- 38,000 |
| Total | $1,095,000 | $352,000 | $-743,000 |

(1) 1977 & 1978

(2) 1980 & "Anticipated Future years Obligations"

(3) Revolving Fund - As concerns the Revolving Fund, GOH input of $500,000 is called for in both 1977 and 1980 Agreements to serve the credit needs of the CCH in its coffee buying and selling operations.

(4) Transfer of Functions from CNCC to CCH - As for the transfer of CNCC activities to the CCH: referring to October 1980 Bi-monthly Report (PCC-083/Morales), section 3(a) states that it is expected that the "Inaugaration of the provisional coffee processing facilities at Dikini and their transfer to the Provisional Management Committee (CCH)" will take place within the next two months. It has more recently been confirmed that the transfer is now scheduled for January 1981.

(5) Relations Among PCC, CCH, and Coffee Cooperatives - The amended Agreement did not address itself especially to the issue of organizational relations. Nevertheless, the following comments can be made.

In its October 27, 1980 evaluation report of PCC (083), the GOH administrative institution of that project, PCC-IHPCADE (hereinafter referred to as "PCC -I") noted apathy and lack of cooperation on the part of CCH in some instances. For example, several meetings were held between officials of these two groups during February-March 1980 to discuss joint operational working plans on the administrative up-grading of the CCH, as well as on the organization of the CEPEC. PCC - I charged that CCH failed to follow-through, for it submitted no such plans.

PCC - I likewise charged that the management officials in almost all of the cooperatives governed as they saw fit, without consulting the rank-and-file. In addition, it was noted that management rarely held general meetings with the rank-and-file.

(6) GOH Tax Policy on Coffee - The Mission is greatly concerned about the high tax rate imposed on exported coffee by the Haitian Government (about 26% ad valorem), and has tried to persuade the latter to reduce it, but without success to date. Nonetheless, it is an on-going concern, as evidenced by its mention in the Mission's long-range planning document, (USAID/Haiti Country Development Strategy Statement, FY 1983-87, pp. 14, 16 and 20), and will be expressed to the Haitian authorities in the appropriate context.

In summary, the scope and scale of the project has been made more modest. AID's original grant was reduced from $2.2 million (1977) to $750,000 (1980). The obvious question to be asked is: can the objectives of the project still be realized with available resources?.

Part III - Update Status Report, as of January 26, 1981

A PES Review of the Small Farmer Marketing project (083) was held on January 26, 1981. Discussion revolved around five objectives that were to be achieved in FY 80: 1) improvement of management and accounting capabilities in the 25 existing coffee producer cooperatives; 2) improvement of the quality of the cooperative prepared coffee; 3) reinforcement of the Provisional Management Committee of the Cooperatives (CCH) to assist it to become a Federation of Cooperatives (FCC); 4) reduction of coffee taxes; and 5) organization of cooperatives around the Coffee Centers.

The progress assessment was overwhelmingly negative. No progress was recorded for objectives 4 and 5 at all, while only partial progress was reported for the other three.

Achievement of Objective No. 1 was to be indicated through the assignment of management trainees to each of the existing cooperatives. While 23 were trained, only 6 have been actually assigned. Even if trainees were provided to each cooperative, very little would be accomplished in the short-run, for most of the cooperatives exist in name only. The majority are plagued by management, administrative and accounting deficiencies. In addition, equipment and facilities are run-down, and the membership is generally not consulted in decision making.

It is the USAID project manager's position that this objective is unlikely to be achieved within the proposed time period. It is estimated that a period of eight to ten years would be needed before the cooperatives could function effectively.

Objective No. 2 was to be realized through various means, including rehabilitation of old facilities and equipment, distribution of new machinery (hand operated hullers and depulpers), and the establishment and operation of the CEPEC facility at Dikini. While some machinery has been distributed, many planned installations have not been accomplished. CEPEC has not yet started to operate. The consequences of this is that the cooperatives have started to lose faith in the project's ability to help them, through repeated failure to deliver on promises on time.

On the positive side, the distribution of the hullers and depulpers did have some positive effect on the quality of the coffee in the rural areas.

Objective No. 3 was to be achieved through the organization and operation of a Provisional Management Committee (CCH) elected by the member cooperatives. A committee of three is actually in place, but it has done virtually nothing to realize its stated purpose. The principal reason for this inaction is lack of motivation on the part of the committee members. They had interpreted their position as a sinecure, entitling them to monetary and prestigious benefits. When it became clear that this was not the case, they lost interest in the whole affair.

Three major reasons for failure to achieve project objectives thus far were identified:

1) <u>Lack of support and commitment on the part of the GOH:</u> The Haitian Government has not provided the administrative and fiscal control and support necessary to ensure the success of the project. An indicator of this was the inability to determine where the project would be administratively located for nearly two years: at IHPCADE or at DARNDR. According to latest information, the latter is now administering the project. Such indecision has bred an attitude of apathy throughout the

ranks of project cadre, and lack of effective supervisory control of personnel and fiscal irresponsibility have resulted in increasing annual expenditures.

2) Lack of cooperative development: The cooperatives are still in a rudimentary stage of development. It was pointed out earlier that it would probably take eight to ten years for them to become independent and viable entities. Consequently, in their present feeble condition, they have been unable to assume the responsibilities that they have to bear in order to adequately assist their constituents.

3) Failure to establish CEPEC: This has further contributed to the lack of consolidation of the cooperatives. As envisaged, an effectively operating CEPEC would stimulate the cooperatives by providing the latter with the necessary marketing outlets for their coffee.

Actions to be taken: Further USAID support to the project will be contingent upon the CEPEC facility becoming fully operational by March 30, 1981.

A joint evaluation will be made three months after the pilot facility commences operations to determine if there is a likelihood that sufficient volume will be generated and that construction of a permanent facility, as planned, is practical.

An implementation letter will be prepared to notify IHPCADE of USAID's position and the proposed deadlines.