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**FINAL EVALUATION REPORT OF THE
FEDERACION DE PRODUCTORES Y
EXPORTADORES AGROPECUARIOS Y
AGROINDUSTRIALES DE HONDURAS
(FPX)**

Prepared for:

The Agency for International Development
Tegucigalpa, Honduras

by

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AGRIDEC

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LIST OF ACRONYMS

<u>ACRONYM</u>	<u>MEANING</u>
AGRIDEC	Agricultural Development Consultants, Inc.
AHPROCACAO	Honduran Cacao Association
ARD	Agricultural Rural Development
ARF	Agricultural Research Foundation
ARFP	Agricultural Research Foundation Project
ATI	Appropriate Technology International
BID	Bank of International Development
CBH	Central Bank of Honduras
CENDOC	Centro de Documentacion (FPX)
COP	Chief of Party
EDS	Export and Development Services
EMSSA	Empacadora Marina del Sur, S.A.
FEPROEXAAH	Federacion de Asociaciones de Productos y Exportadores Agropecuarios y Agroindustriales de Honduras
FHIA	Fundación Hondureña de Investigación Agrícola
FIDE	Investment and Development of Exports
FPH	Federacion de Agroexportadores de Honduras
FPX	Federation of Honduran Exporters and Producers
GDP	Gross Domestic Production
GOH	Government of Honduras
LTTA	Long Term Technical Assistance
PACD	Project Agreement Completion Date
PATSA	United Brand Melon Producers
PCP	Commercial Product Profile
PDP	Product Development Plan
PMA	Produce Marketing Association Conference
PRONET	U.S. Data Base/Fresh Produce Market
MARSUR	Maranon del Sur, S.A. de C.V.
NTAE	Non-traditional Agricultural Export
PIL	Project Implementation Letter
PP	Project paper
PROEXAG	Promotion of Export Agriculture Project
STTA	Short Term Technical Assistance
TA	Technical Assistance
USAID	United States Agency for International Development

EXECUTIVE SUMMARY

The purpose of this consultancy was to carry out a final evaluation of the FPX (Federation of Honduran Exporters and Producers) portion of the Export and Development Services (EDS) Project (No. 522-0207) concurrently with an evaluation of the Agricultural Research Foundation (ARF) Project (No. 522-0249). The evaluations took place in Honduras over a period of approximately one month, between March 13 and April 12, 1994.

The evaluation team consisted of seven persons whose required skills and level of effort were specified by the terms of reference for the evaluation. The team was based in San Pedro Sula for most of the consultancy, with members working at FPX's offices there, or at the Honduran Agricultural Research Foundation (FHIA) facility at nearby La Lima. To simplify travel arrangements and logistics for carrying out field visits, two separate groups were formed; one group visited FHIA's research facilities and demonstration sites in central and northern Honduras, and the second group visited FPX's facilities, projects, and subsidiary companies in central and southern Honduras. During the final week of the evaluation the four members of the team who were still in Honduras moved to Tegucigalpa to present the results of the evaluation and prepare final drafts of the reports.

During the evaluation, team members met with GOH Officials, USAID employees, FHIA and FPX employees, directors, associates, members, beneficiaries, and direct users of services provided by the respective organizations. In addition, a large number of USAID documents, and project-related documents were reviewed.

The terms of reference for the evaluation also specified that a special report be written analyzing the possible merger of FPX and FHIA, or suggesting some other means of integrating or coordinating their respective activities. This was later changed to an analysis of different alternatives that USAID might consider to continue the most important work performed by FPX, under the assumption that FPX would no longer exist as a federation. This analysis was included as a section of each evaluation report.

Given the large number of questions to be answered it was necessary for each team member to answer those questions which were most closely related to his individual skills. Each team member wrote individual reports which not only answered the questions, but also evaluated the organization from in terms of his area of expertise. The individual reports were used in great part as the basis for writing the evaluation report. The evaluation report was written after a brief but intensive work schedule, based on the information obtained and on the judgement and personal experience of individual team members. The conclusions are, therefore, generally subjective.

FPX was created in August, 1984 as part of the EDS project, whose purpose was to increase non-traditional exports. FPX was created to represent the agricultural sector, and a sister organization, FIDE, was created for the industrial sector.

FPX was established initially as a federation of 27 producer organizations, representing agricultural and livestock producers. The organization eventually ran into difficulty in implementing the project, primarily because the nature of the federation was highly political,

which was not only divisive but also made the process of setting priorities extremely difficult. Also, the sheer size of the board, with centralized decision-making and control made the organization slow, and unresponsive. Finally, many of the member associations were institutionally weak and therefore ineffective.

Since the accomplishments of the organization did not meet expectations, an interim evaluation of FPX's activities was made in 1988. The evaluation found that there was no available alternative, besides FPX, to implement the project, and that FPX would have to be restructured to be more effective. After the evaluation, FPX was restructured, streamlined, and organized more like a private business, and having the legal right to accept private companies as members. The mission of FPX changed from providing member services to that of developing non-traditional exports. The primary goal of the organization was to achieve financial self sufficiency.

The major conclusions of the current evaluation are the following:

- FPX made a major contribution to the development of the shrimp, melon, and cacao industries as viable export industries in Honduras. Without FPX's intervention, this development would have taken place much more slowly.
- The market information services documentation center created by FPX is a high quality operation which will continue to provide vital information to exporters.
- The FPX organization as it now exists is dysfunctional, and has never approached financial self-sufficiency. Under the present structure and method of operation, it is doubtful that FPX will ever reach self-sufficiency. The organization does not warrant continued support from USAID beyond the project completion date.

The evaluation team considered the following to be the most important lesson learned:

- An implementing organization which was essentially created by a project, as was FPX, must start with a clear, unambiguous definition of its mission, goals, and objectives, and its leadership must concur with such definition and direction. Furthermore, if due to changed conditions it becomes necessary to change direction, the newly-defined goals and objectives must be clearly communicated and the governing body supportive of carrying them out.

The terms of reference for the evaluation also required that the team look at possible future project activity to continue the work of FHIA and FPX. This evolved into an analysis of different alternatives that USAID might consider to continue the most important work performed by FPX, under the assumption that FPX would no longer exist as a federation.

The analysis shows that FPX provides three types of services to their members, which could be assumed by other organizations. These are: a) market and product information, b) product development, and c) export marketing services.

Several alternatives were reviewed, and the following recommendations were made:

- 1) To provide for continuity of market information, transfer the entire CENDOC facility to FHIA's Communications Center.
- 2) Future activity in NTAE product development should continue to use the commodity systems approach, which incorporates all activities required to develop a new product and ship it to market. Product development should focus on a limited number of new products. For example, only five or six products should be selected which have excellent market potential; which have the potential to make a substantial impact on the Honduran economy, and which can also be grown competitively in Honduras.

FHIA is the recommended alternative to FPX for future product development, primarily because the foundation has the ability to carry out this activity with only a slight increase in permanent staff, which could be supplemented by STTA. However, changes would be required in the direction of FHIA's research, and changes in FHIA's research philosophy. Another advantage is that FHIA's involvement with international markets as a result of this work will be of tremendous benefit to the foundation, and should help guide future research activity.

- 3) Three alternatives are presented for the provision of export marketing services:
 - a) Do nothing - for awhile: Under this alternative, USAID would wait and see if an exporters' association or other similar organization might evolve as a strong, grass roots representative of Honduran exporters in the aftermath of FPX. This would be a long-term solution which, in the end, could prove to be highly effective. Under this alternative, limited support could be provided to the Miami office on a phase-out basis as it achieves self-sufficiency. This alternative would require the smallest amount of funds over the near term.
 - b) Create an export marketing Division at FHIA: This could be a cost-effective means of providing this category of services, since FHIA is a local, established organization. This alternative would also be a logical follow-on to relocating CENDOC to the FHIA Information Center and arranging for FHIA to carry out NTAE product development activity. Further exposure to international markets arising from this activity would also be beneficial to FHIA.

Under this alternative the project design would need to respond to concerns about FHIA's ability to continue as a premier research organization while providing a range of services not related to its primary purpose, and to what extent export marketing activity would be a distraction to FHIA management.

- c) Contract a private company to carry out export marketing services on behalf of Honduras exporters. This alternative would be more costly on a "stand alone" basis, but it would most likely be a highly effective way to deliver these services since some of the staff

would be expatriate professionals in the field. The project team could work at FHIA's complex in La Lima. This would bring about some reduction in operating costs, and would ensuring close coordination with FHIA's information and product development activity. Under this alternative, the risk of "distracting" FHIA from its intended purpose of providing quality research would be minimized.

Budgetary constraints on future project activity will determine which of the alternatives can be selected.

I. SUMMARY OF CONCLUSIONS AND RECOMMENDATIONS

A. Conclusions

- 1) The project has made a significant contribution to export of non-traditional agricultural products. Two agro-industries came into being (shrimp, melons) and another was extensively improved (cacao) over the course of the project. These have reached a level of maturity and stability that they require no further assistance from USAID.
- 2) All project goals of the Export and Development Services (EDS) Project have been met, and exceeded. However, FPX changed direction following the 1988 evaluation, and the original project goals and objectives became less relevant to FPX. These should have been modified in light of the reorientation of the project.
- 3) FPX has been hampered by a lack of internal direction, and a lack of focus on clear-cut goals and objectives. The effectiveness of the organization has been severely limited by frequent shifts in direction, an excessive number of changes to the organizational structure, frequent intervention by the board in management issues, and high turnover of senior staff.
- 4) The FPX organization, in its present form, is dysfunctional and does not merit continued support by USAID beyond the PACD. However, there will be a continuing need in Honduras beyond the project completion date for the following services to help develop NTAE exports: a) market information, b) product development, and c) export marketing.
- 5) The market information services provided by FPX's Documentation Center are probably among the best of any offered by NTAE institutions in the region. Whatever the outcome of FPX, CENDOC is a national asset that should be preserved.
- 6) FPX International, located in Miami provides worthwhile representation and marketing service for Honduras exporters. However, demand for FPX services is extremely low, primarily because the organization has not adequately marketed its services to other regional exporters.
- 7) Participation by producers, exporters and FPX officials in international conventions and trade shows has had a positive affect on the development of non-traditional exports, and should be continued on a selective basis beyond the end of the current project.
- 8) FPX's goal of financial sufficiency is not realistic given the present structure of the organization. The organization is too large for its service base, the menu of services is too broad, and the clients tend to be small and medium producers with limited financial capacity.

- 9) Investing in, and operating commercial business ventures have placed a considerable burden on FPX, and has detracted from the mission of the organization.

B. Recommendations

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

II. LESSONS LEARNED

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

III. BACKGROUND

A. EDS Project Overview

1. Project Background

The Export and Development Services (EDS) Project (No. 522-0207) began on August 31, 1984 with the signing of the Project Agreement between USAID and the Government of Honduras. The project assistance completion date (PACD) was initially set for September 30, 1989.

The stated goal of the project was to promote economic growth and employment by developing non-traditional exports. The increase in value-added due to project activities during the fifth year was expected to reach US \$30 million, and total employment created during five years was expected to be 10,000 full-time jobs.

The purpose of the project was to increase non-traditional exports. It was planned that the purpose would be accomplished by simultaneously developing a) a policy environment that favored exports, b) the private sector's institutional capacity to provide services to exporters, c) production and marketing of specific export products, and d) financial services needed by exporters.

The beneficiaries initially targeted by the project were exporters and workers, specifically sixty-five agricultural production and/or exporting organizations and thirty industrial producers.

The level of USAID funding authorized under the project was US \$16 million for a development loan and US \$7.5 million for a development grant. The Host Country contribution to the project, from both public and private sources, was the equivalent to US \$8.1 million. Total project funding was US \$31.6 million. Part of the funds were made available to the Entrepreneurial Research and Development Foundation (FIDE) and to the Federation of Agricultural Export Producers of Honduras (FEPROEXAAH) to finance project-related expenditures made by the two organizations.

Under the project agreement, an interest-bearing trust fund was set up in the Honduran Central Bank to provide revenue for debt service on the USAID loan, and to provide income to both FIDE and FEPROEXAAH to ensure continuity of their activities after the PACD.

SUMMARY FINANCIAL PLAN (US \$000)

ACTIVITY	USAID		GOH	PRIVATE	TOTAL
	LOAN	GRANT			
EXPORT POLICY & PROMOTION:					
A. Policy	400	150	400		950
B. Promotion	100	750	500		1,350
SUBTOTAL - POLICY AND PROMOTION	500	900	900		2,300
EXPORT DEVELOPMENT:					
A. Manufactured exports	3,500	2,900	650	3,100	10,150
B. Agricultural exports	2,100	2,200	950		5,200
SUBTOTAL - EXPORT DEVELOPMENT	5,600	5,100	1,600	3,100	15,400
FINANCIAL SERVICES:					
A. Dollar financing		10,000			10,000
B. Payment feasibility study	200				200
C. Local Currency investments				2,500	2,500
SUBTOTAL - FINANCIAL SERVICES	200	10,000		2,500	12,700
USAID PROJECT MANAGEMENT COST:	1,200				1,200
TOTAL COST OF ACTIVITIES:	7,500	16,000	2,500	5,600	31,600

The EDS Project encouraged export enhancement policies for a number of important areas: To promote the use of free trade zones and industrial parks; to eliminate the restrictions on foreign exchange for exports; to simplify the administrative requirements for exporting, and to promote investment incentives.

Export promotion activities carried out under the project were oriented primarily toward strengthening the foreign trade offices through training programs for trade representatives, information, and technical support.

Export development activities were primarily the creation of FIDE and FEPROEXAAH which were to be the export sector's primary links to outside markets and production technology for the industrial and agricultural sectors, respectively.

The financial services component of the project was to have addressed a number of problems which limited the availability of credit for export activity. For example, bank financing for investment, working capital, and export financing were generally available only to major clients; export financing was based on considerations of the exporting firm and not of the shipment itself, and high collateral requirements and high interest rates hindered exports.

A key element of project-related financial services was the creation of a US \$10 million trust fund, administered by the Central Bank of Honduras (CBH), which was wholly financed by USAID. The CBH made funds available from the Trust to those private banks offering the best financial services to exporters of non-traditional products.

Another responsibility of financial services was to perform a study on the possibility of a payment insurance program to insure Honduran banks against non-payment by importers in other countries.

Local currency investments provided funds to the Industrial and Agricultural Finance Company (a private finance company which had been previously organized, with USAID assistance, by five commercial banks). The finance company made medium-term and working capital loans to clients who would not otherwise qualify for loans, given the bank's lending policies and Central Bank requirements.

USAID project management contemplated the services of a banking advisor for two years, a private sector advisor for five years, and project liaison officers in manufacturing and agricultural exports for a period of five years each.

The project addressed the long-term viability of FIDE and FEPROEXAAH by ensuring that supplemental income would be available to offset the expected shortfall in operating revenue derived from membership fees and service charges. The trust fund administered by CBH was a long-term financing source for both organizations, since they received income from the interest rate "spread" between the Central Bank and the commercial banks.

The Project Agreement has been amended nine times since the project was initiated. The final amendment (No. 9) of June 16, 1993 brought total loan obligations to US \$ 12,951,166 and total grant obligations to US \$15,280,997. Cumulative total obligations amounted to US \$28,232,168.

2. FEPROEXAAH Component

FEPROEXAAH was established in 1984 as an association of agricultural producer organizations called the "Federacion de Asociaciones de Productores e Exportadores Agropecuarios e Agroindustriales de Honduras", FEPROEXAAH. The organization was comprised of 27 agricultural associations representing traditional and nontraditional agricultural products and livestock.

FEPROEXAAH's principal functions were the following:

- Provide export services to members and associates (eg. help with transportation and permits for export shipments; provide quality standards for export markets.)
- Provide business services and management assistance, and facilitate the provision of training and technical assistance.
- Help organize new producer's organizations along product or regional lines.

- Act as a contact point for assistance to individual producers and associations, and for dealing with foreign importers and investors.
- Represent the agribusiness sector on policy issues, in collaboration with FIDE.

The Federation ultimately had 27 board members, one from each member association. The board President maintained an office at FEPROEXAAH and was active in the daily activities of the organization. The President and other board members received neither salary, nor director's fees, nor honorariums. The Executive Secretary was the administrative officer for the organization.

FEPROEXAAH was organized into four operating departments: a) information center, b) productivity center for agriculture and agroindustry, c) export and investment promotion, and d) administration. An active press relations department reported to the board, and regular press coverage was common.

During FEPROEXAAH's early years, Honduran exports consisted primarily of traditional agricultural products (bananas, coffee, meat, cotton) but with modest exports of melons and processed chili peppers. The federation initiated a melon project in Choluteca which successfully blazed the trail for nontraditional exports.

FEPROEXAAH eventually ran into difficulty in implementing the project, primarily because the nature of the federation was highly political, which was not only divisive but also made the process of setting priorities extremely difficult. Also, the sheer size of the board, with centralized decision-making and control made the organization slow, and unresponsive. Finally, many of the member associations were institutionally weak and therefore ineffective.

Since the accomplishments of the organization did not meet expectations, it was decided in 1987 that an evaluation of FEPROEXAAH's activities would be conducted.

3. Interim evaluation

An interim evaluation of the FEPROEXAAH component of the EDS project was carried out during February and May, 1988, by a working group composed of five representatives of FEPROEXAAH and three representatives of USAID/Honduras. The purpose of the evaluation was to review the project goals and purpose, and to define the most appropriate method of achievement. The working group reviewed FEPROEXAAH's activities, and redefined the organization's objectives in light of project goals. The group recommended a new organizational structure which they believed would be capable of achieving the new objectives, and developed an initial operating budget. Finally, the cumbersome FEPROEXAAH name was shortened to simply FPX, the Federacion de Agroexportadores de Honduras.

Primary findings and conclusions of the evaluation were the following:

- There was no clear-cut alternative to the FPX model for project implementation. It was concluded that FPX could perform important functions, but required significant restructuring to effectively out the role of the organization.
- The primary objective of FPX should be the development and promotion of competitive non-traditional agricultural and agroindustrial exports.
- FPX should focus its efforts on increasing exports by providing services and product-oriented assistance, and on removing constraints. Also, FPX should focus on a limited number of commodities with an exportable production base.
- FPX should create an independent Executive Unit to oversee operational activities.
- FPX should generate its own income through fees for services and by developing business ventures to achieve financial self-sufficiency.

The primary lessons learned were that export development activities must be practical in nature and managed with a business rather than social/bureaucratic mentality to succeed. Furthermore, the FPX program should have been focused in a manner which carefully matched available resources and activities against their potential to provide concrete, measurable results.

The working group recommended that FPX focus on providing the following services:

- Provide financial/credit assistance, including feasibility studies and assisting members and affiliates obtain financing for export ventures;
- commercial/marketing assistance including market information, broker contacts, coordination of transport, and market assistance programs;
- assistance in developing export prospects and for sourcing technical support for members;
- support efforts in investment promotion by developing promotional material, by providing training and seminars for individuals involved in investment promotion activities, and by coordinating the visits of prospective investors, and
- to develop business activities consistent with FPX objectives where income would be derived from the sale of services which increased exports.

4. FPX After the Evaluation

In light of the 1988 evaluation, a task force composed of representatives from the board, private businesses, and USAID was formed at the end of 1988 to make a review of FEPROEXAAH's organization. The task force concluded that the federation acted almost identically to a public institution and should be reoriented to meet the needs of Honduran exporters. In short order the Executive Secretary position was upgraded to General Manager, and three operating departments were formed, and staffed with new employees: administration, export development, and business. Finally, the services of an expatriate long-term technical advisor were provided to FEPROEXAAH. Shortly thereafter, the cumbersome 27-person board was replaced by a smaller board composed of seven members, with two alternates. A separate three-person oversight committee was formed, and the organization's statutes were changed to open membership to the private sector.

Since the reorganization, FPX has expanded its sphere of operations by establishing a regional office in Choluteca, to better serve the shrimp and melon industry. An office was also opened in Miami, Florida (FPX International), to safeguard the interests of Honduran exporters by inspecting containerized products upon arrival and providing information on the arrival condition; to act as a source of market information, and to represent Honduran exporters in contacts with U.S. brokers. FPX currently has 59 members: five cooperatives, three associations, two foundations (FHIA and FIDE), with the remainder being private businesses in the agroindustrial or banking sectors.

Another important change in FPX's operating strategy is the investment in four new business enterprises as a means of achieving financial self-sufficiency. These investments include Maranon del Sur (99.8%), a cashew nut processing plant in Choluteca; Red Tilapia San Eduardo (51%), a fish farming and filleting operation near San Pedro Sula; Empacadora Marina del Sur (50%), a shrimp processing factory near Choluteca, and Larvicultura (50%), a commercial laboratory for the production of shrimp larvae located on El Tigre island in the Gulf of Fonseca.

Since the reorganization, however, FPX has continued to experience excessive turnover of technical staff and senior management, with frequent changes in the management organizational structure. The reason for this instability appear to be related to "internal politics" where the board has called into question the loyalty of some of the staff. Management functions have often been covered during transition periods by members of the board of directors, or by commissions made up of two or more board members. After a series of revolving-door general managers who were named and later removed by the board, an internationally recruited executive was hired in August, 1992 to fill the General Manager vacancy. After only fifteen months, the board also fired that General Manager, and named him special advisor for the remaining life of his two-year contract. His replacement was a local national employee promoted from the Exports Development Division.

In February 1994, in what was described as a reaction to pressure from USAID to reduce operating costs, the board fired an additional 21 people, which included technical, administrative, and support personnel. The size of the organization was reduced from a total of 60 to 39 employees. At present FPX has no organizational chart, since the organization is, in the words of the new General Manager, "in transition". However, there is a personnel list which shows employee names and responsibilities, presented in Figure 2 of Annex I.

From the time that the expatriate General Manager was fired, relations between the FPX board and USAID have become increasingly tense. The reason, in the opinion of one of the board members, is that the board has been involved in a long and bitter power struggle with the FPX "administration" (whom they see as being under the domination - or attempted domination - of USAID) for control of FPX. By removing employees whom they believe are unduly influenced by USAID, the board can exercise control over the administration of FPX.

There is a continuing controversy between USAID and FPX over the reimbursement of project-related expenses incurred by FPX. The latest reimbursement by USAID covered FPX operating costs through June, 1993. FPX's original operating plan and financial budget, covering the period July 1, 1993 - June 30, 1994 was not approved by USAID, and had to be resubmitted by FPX. In February, 1994, USAID approved (PIL No. 147) FPX's operating budget for the period July 1, 1993 - January 31, 1994 and instructed FPX to submit a separate budget covering the remaining life of the project, through August 29, 1994. However, USAID will not release funds to FPX under the approved budget until the latter establishes an internal policy covering conflict of interest, notifies all applicable persons of the new policy, and certifies that all conflicts of interest have been resolved. The amount of funds withheld pending resolution of the policy on conflict of interest totals approximately US \$ 725,000: approximately US \$523,000 for FPX operating costs, and an additional US \$200,000 for four LTTA contracts. The four LTTA contracts are to be funded through the life of each contract or until the end of the project, whichever comes earlier.

IV. ANALYSIS

A. Achievement of Goals and Objectives

1. Logframe indicators

It can be concluded that, in terms of accomplishing the goals and objectives set out for the project which are applicable to FPX, the project succeeded. The Project Logframe (see Table 3 of Annex II) specified that there should have been an increase in GDP amounting to US \$30 million, and 10,000 jobs created, as the result of project activity, by 1990. While it is difficult to link directly macroeconomic indicators to the FPX component of the EDS project, a review of Project statistics shows that agricultural employment increased by over 6,700 in the first four years after the shrimp program began (1989-1992), 31 percent of these jobs being filled by women. Considering that these statistics do not include employment prior to 1989, nor do they include 1993 and 1994 data, it is highly probable that the target of 10,000 jobs has been achieved.

Data obtained from the Central Bank indicate that total GDP increased by US \$ 182 million and agricultural GDP by US \$ 51 million from 1984 to 1990. This by far exceeds the objective of a US \$30 million increase in GDP.

Another relevant project output specified by the logframe was that agricultural exports should have reached US \$ 30 million during 1990. Central Bank data shows that agricultural exports had increased by US \$ 128 M between 1984 and 1990.

In terms of meeting Logframe goals and objectives, the project was a success. However, after the mid-course which resulted from the 1988 evaluation of FEPROEXAAH, the original goals established for the overall project became even less relevant to FPX. More realistic goals and objectives directly applicable to FPX should have been set at that time.

The purpose of the project was to increase non-traditional exports. In terms of the FPX component which is related to agricultural exports, the purpose was fully accomplished. The impact of FPX on NTAEs is described as follows:

2. Development of non-traditional exports

After the 1988 evaluation, the mission of FPX changed from that of strengthening and supporting producer associations to that of developing non-traditional exports (NTAE). Based on information obtained during the course of this evaluation, it was evident that FPX played an important role in developing three non-traditional export crops from Honduras: shrimp, seasonal melons, and cacao.

In the case of shrimp production, a technological base already existed on the Pacific coast of Honduras when FEPROEXAAH was created. Two foreign-owned companies,

Sea Farms and San Bernadino, began shrimp cultivation in 1973 and 1984, respectively, with larvae harvested from the Gulf of Fonseca. FPX successfully capitalized on the existing technological base, and spread the technology and information to others. This development would probably not have taken place nearly as quickly without the intervention of FPX.

In a similar fashion, FPX capitalized on an existing base of melon production technology which existed in the Choluteca region in the form of PATSA, a subsidiary of the multinational Chiquita Brands, which produced and exported fresh melons. FPX initiated a demonstration melon project which was instrumental in spreading the production technology to other growers, including small farmers and cooperatives. Similar to the development of shrimp exports, melon exports would probably not have grown nearly as fast without the intervention of FPX.

In the case of cacao production and exports, FPX helped create the APROHCACAO producers' association which serves as a marketer and exporter of cocoa beans sourced from small cacao producers. FPX also assisted in the rehabilitation and improvement of production plots by providing long-term technical assistance to cacao producers. These efforts are reinforced by FHIA's cacao research program at La Masica.

The historical value and volume of exports of the three primary products supported by FPX is shown in the following table:

**VALUE AND VOLUME OF EXPORTS FROM THREE SECTORS ASSISTED BY FPX
(VALUES IN US \$000 AND VOLUME IN METRIC TONS)**

YEAR	CULTIVATED SHRIMP		FRESH MELONS		SEMI-PROCESSED CACAO	
	VALUE	VOLUME	VALUE	VOLUME	VALUE	VOLUME
1992 (est)	40,000	5,900	15,000	55,300	4,000	3,600
1991	31,200	4,300	11,600	52,700	3,700	2,700
1990	22,500	3,300	10,400	42,300	3,600	3,000
1989	12,300	1,600	8,000	36,400	2,900	2,700
1988	17,000	2,200	9,600	43,600	2,700	2,000
1987	10,800	1,400	5,600	25,500	3,900	2,300
1986	6,200	800	4,800	21,800	2,000	

FPX has also created a technological base in Honduras for the production of cultivated tilapia fish and the export of fresh fish fillets to the United States. The fledgling FPX subsidiary company, Red Tilapia San Eduardo, demonstrates production technology and provides fingerlings to other growers. This agroindustry has grown in other countries such as Jamaica, and it appears to have good long-term potential in Honduras.

In collaboration with FHIA and with close support from USAID, FPX has helped develop limited exports of sweet onions from Comayagua to the United States. Since

the sweet onion project is in the beginning stages the level of exports is still small, but the potential appears to be good.

FPX has also helped a limited number of growers near Lake Yojoa to develop fresh ginger exports to Europe. This program is also at the initial stage, and exports are limited. While there is some controversy as to the long-term viability of Honduran ginger exports when competing in world markets with other suppliers in Asia, this product may prove to be a long-term success with modest export potential.

Finally, FPX has initiated field trials of other crops, in collaboration with FHIA. Test plots are being cultivated in areas at higher elevation with various plant varieties of asparagus, raspberry, and blackberry.

While these accomplishments are important and appear to be impressive, however, the question must be raised as to the efficiency and effectiveness of the work done by FEPROEXAAH, and later FPX, and if much more could have been done over the ten-year life of the project.

B. Management Issues

1. FPX efficiency and effectiveness

A review of FPX operations since the beginning of the EDS Project leads to the unshakable conclusion that progress has been hindered by lack of organizational focus and marked by a lack of consistent direction. The organizational chart for FPX has been changed seven times in eight years, which reflects an exceptional level of institutional instability. Furthermore, at different times during the life of the organization, FPX has functioned as an export promotion agency (per their original charter), as an investment promotion agency (after the 1988-89 reorganization), as a development bank (in carrying out the small-farmer leather leaf fern project on behalf of BID), and as an investment bank (in developing new-technology projects in cashew nut processing and in fish farming). These widely varying activities are not compatible, and do not normally take place within a single organization.

For example, investment promotion and export promotion are different activities which require different organizations, skills, and operations primarily because of the difference in the types of information and other assistance needed for each program. Different strategies are required for providing information and assistance to local and foreign clients, each of which is linked to an institutional structure best suited for its implementation.

FPX has also been a jack-of-all-trades in providing services to its members. Despite the organization's mandate to provide marketing and export services, FPX has often embarked upon product development activity which has required substantial involvement

in agricultural production and extension. The evaluation team was told on several occasions that a primary reason for this propensity for crop development was that almost all FPX field personnel are trained agronomists, with little or no background in marketing services.

2. FPX leadership

The team's review of FPX operations leads to the conclusion that progress toward the development of non-traditional exports has been hindered in general by a notable lack of enlightened leadership on the part of those charged with directing the activities of the federation. Many of the findings and conclusions highlighted in the 1988 evaluation of FEPROEXAAH still hold today, for FPX, almost six years later. The organization clearly has not responded to the challenges put before it.

Weak leadership has also been manifested by its limited representation, and the negligible impact that FPX has had on government policy makers, despite this being one of the tasks set out in the project paper. FPX has completely missed the opportunity to become the spokesperson and national leader for the export agribusiness sector, and to press for changes to policies which constrain exports.

Immature leadership has appeared again and again in the form of organizational turmoil, high employee turnover, and frequent changes in policy direction. Most effective organizations in the private sector have a clear separation between the policy and oversight functions of a board of directors, and the executive and administrative functions of management. In the case of FPX, the differences are blurred and the board appears to have overstepped the bounds of policy and oversight and has become engaged in management functions, in a manner similar to that which existed with FEPROEXAAH. As a result, the organization is highly dysfunctional.

It is also evident that USAID's involvement in FPX activities has been exceedingly heavy, which, at best, has undoubtedly been a tremendous distraction to FPX management. The current General Manager at FPX stated that during the tenure of the USAID-provided long-term advisor, management decisions were seldom made by the General Manager then in charge, without first consulting with the long-term advisor. It was also reported (although the team was unable to verify the statement) that USAID was instrumental in the decision by FPX to invest in business ventures. USAID played a key role in selecting the expatriate manager, who was later fired by the board. In the current state of tense relations between FPX and USAID, interventions by the latter have become more direct.

It is evident to the evaluation team that USAID's level of frustration with FPX is leading to a major confrontation between the two organizations. A complete rupture would be unfortunate. If USAID feels that disengagement should take place before the PACD, it should be done in such a manner which will neither destroy the gains already

made by the project, nor inhibit the transfer of important export and marketing services to a more viable organization.

In spite of the many shortcomings of the FPX organization, there will be a continuing need for several functions beyond the end of the current project, particularly for the export industry.

3. Achievement of financial self-sufficiency

The mission taken on by FPX after the 1988-89 reorganization was to increase non-traditional exports. The goal of achieving financial viability by the end of the project was simply a means of ensuring FPX's survival so that the organization would be able to continue to perform its mission beyond the project ending date when USAID funding expires. The strategy for financial viability chosen by FPX was to invest in new businesses which would generate funds and thus provide financial security. This strategy was recommended in the interim evaluation of FEPROEXAAH, and was supported by USAID.

The following is a summary of the outcome of these investments:

- a. **Empacadora Marina del Sur, S.A. (EMMSA):** FPX's close involvement in the wide-scale development of the Honduran shrimp industry in the 1980's allowed it foresee profitable opportunities by setting up a fully integrated operations, including larva production, shrimp farming and shrimp packing for export. Furthermore, the businesses were intended to have met the goals described above: the larva laboratories would help overcome a scarcity for shrimp larvae, and also help transfer the latest technology; the shrimp farm was to help demonstrate the advantages of highly-technical production under environmentally friendly conditions; and the shrimp packing would help fill a infrastructure gap.

In mid-1992, EMMSA was opened with FPX holding a 53% of the company's shares. The business was immediately profitable, with over L. 2.5 million of profits earned from July 1993 to March 1994. In this case the market clearly indicated the business was providing a much-needed service.

Since the beginning of 1994, EMMSA has packed over 3.6 million pounds of shrimp, serving 15 different farms. However, about 80% of production come from only two farms, and both are planning to open their own plants - one in May and the other by the end of this year. This drop in projected volumes was a major factor behind a decision to sell EMMSA to a new set of shareholders. Other factors included the continued expansion of new plants in the region, USAID's pressure on FPX to liquidate its businesses, and limited interest by the other shareholders regarding the company's future.

Had FPX setup its own shrimp farm, this could have guaranteed supplies for the packing plant. Consideration was also given to going into shrimp marketing, but this required more capital have was readily available. One person interviewed suggested that EMMSA could continue to operate very profitably by aggressively marketing its services to farms now under construction, with over 2,000 ha. expected to come on line in the next two years. Another observation was that an agreement could have been reached with the two major customers continuing to do business through EMMSA (even at concessionary rates), rather than make substantial investments in new packing plants of their own. In any case, negotiations for the sale of EMMSA are now in their final stages.

- b. **FPX Marañón del Sur, S.A. de C.V. (MARSUR), Choluteca:** By all accounts this project has been highly successful from a social standpoint, although much less so as a business venture. Under the government's Agrarian Reform program, cashew trees were planted in Choluteca starting in the 1970's. In 1992, FPX began processing cashew nuts as a value-added product for export. As many as 190 people at a time - mostly women - have been employed in the processing plant. Campesinos have found a market for a product which in recent years had been all but abandoned, with the area of trees having fallen to some 1,500 ha. of more than 7,000 ha. originally planted.

At present all operations have come to a complete standstill due to lack of operating funds. This is despite an internal FPX memo in January of this year which gave the highest priority to acquiring these funds. The same memo summarized the reasons behind the present financial crisis as follows:

1. Current processing technology inadequate
2. High labor costs (34-39% of total)
3. High costs for cashew nuts from growers
4. Excessive interest burden
5. High fixed costs
6. Less than ideal management and marketing

Several of these factors relate directly to the very impressive processing installation, which surely would not have been build by anyone interested in cashew nuts as a strictly business operation. The quality of planning behind the project appears somewhat dubious at best.

While processing nuts is clearly not profitable, profits could be made by purchasing locally and exporting raw unshelled cashews to Guatemala and El Salvador. However this opportunity - during the current peak harvest season - is being lost due to the lack of funds.

A detailed evaluation of the social impact of the project was completed in December 1993 by a consultant from Appropriate Technology International (ATI). The results

of this analysis have not yet been received, but should give a more complete picture of the project's social impact. FPX also plans to carry out a study of the technological aspects of cashew processing in the near future with the assistance of ATI to determine whether the presented installed "less-than-appropriate" technology might be profitably modified.

The consensus at FPX is that if the Government or donor agency would pay off MARSUR's debt, the operation could be turned over to the local campesinos. Whether the venture will be profitable if and when the current debt burden is lifted has apparently not yet received careful study. In the meantime, an immediate infusion of funds for marketing raw cashews appears to offer a short term means of generating revenues to help cover a portion of the company's high fixed costs.

- c. **Red Tilapia San Eduardo, S.A.:** The farm built and managed by Red Tilapia has not been profitable due do high production costs. Detailed plans have recently been approved by the FPX Board of Directors under which FPX would sell off a portion of its shares, thereby generating sufficient funds to allow for a 10-fold increase in production through oxygen intensification at the fish ponds.

The intent of the Tilapia project has always been to operate a profitable business which would generate revenue for FPX while serving as a model for other potential producers in the region. A recent summary of the new project plan states that the purpose is to develop transferable technology...by means of a demonstration project, in the areas of production, processing, quality control and marketing, thereby serving to prove the profitability for this activity and promote a significant growth of tilapia exports.

In addition, it would supply tilapia fingerlings to local farms who would raise the fish and sell them back to Red Tilapia under contract or other types of marketing agreement. FPX would provide local technical assistance and a full line of marketing services in the U.S. marketing

According to analysis by FPX, Tilapia have the potential becoming the major foreign exchange earner among all non-traditional export products. There is currently considerable interest in Honduras from potential producers and FPX is receiving more information requests on tilapia than any other product. Red Tilapia is currently helping meet a strong demand for fingerlings, with sales to some 12 farms. The success to date of the "model farm" has clearly been limited since it has not been profitable. Still, while Red Tilapia was not the first tilapia producer, it has served to promote the growth of the industry mainly through information it has provided in written form and through seminars and visits with potential producers.

- d. **LARVISUR:** After several years of planning, LARVISUR plans to open a shrimp larva hatchery in May 1994. The main service to be provided is supplying local shrimp farms with larva. There is currently strong local, demand for locally

produced larva. Imported larva, typically from Ecuador or Panama, is not readily available due to commitments under long term contracts. There are also disease risks involved in importing larva.

As noted above, FPX's original plans called for a fully integrated operation from hatchery, to farm, to packing. The hatchery appears to be a good business prospect over the intermediate term, even though the number of hatcheries has increased substantially in the past several years, with still others under construction. Apart from providing growers with disease-free larva at the market rates, LARVISUR's operation might also serve on a limited scale as a demonstration of the latest technologies. This demonstration role is however likely to be quite limited, and the facility will not be substantially different from the existing ones run by other companies.

With the benefit of hindsight, it is believed that the policy change recommended by the last evaluation team which encouraged FPX to invest in commercial enterprises was a costly error, and the reasons are listed below:

- FPX is an export development organization whose charter is to provide member services. Starting and operating new businesses must have been not only a tremendous drain on the intellectual resources of FPX, but also a major distraction from the mission of the organization. Additionally, the management skills required to manage a private business are entirely different from those required to manage an export promotion organization. To the extent that FPX was involved in the planning and management of their subsidiary operations, poor results were the outcome.
- From the point of view of FPX members and constituents, many of whom are producers and exporters, their sense of fair play must have been abused when FPX used donor funds to create businesses which competed with the very members the organization was supposed to have served.
- In keeping with the "developmental" nature of its activities, FPX made investments in some businesses which were pioneering technology which was then unfamiliar to Honduras. New businesses are inherently risky and new ventures with new technology are even more risky, with a significant probability that cash flows will be negative. Using risky investments to provide financial security was, in the opinion of the evaluation team, an error in judgement.

On a positive note, however, some of the businesses undoubtedly have had a favorable effect on export diversification by virtue of demonstration, technology transfer, and training of FPX technicians. They have not, however, achieved the goal of providing financial security for FPX.

What other options could have been used to achieve the goal of financial security for FPX? One option could have been to set a higher fee structure for FPX membership, and to establish a fee structure for FPX services. This would have been a positive move since it would have weeded out casual members, and it would have kept a healthy pressure on FPX to provide high quality, commercially valuable services and information for which beneficiaries would have been willing to pay.

Another possible option might have been to put forth the argument that a certain percentage of FPX's work is of a developmental nature for the public good, without the potential to be self sustaining, and that efforts to achieve financial independence may actually undermine program effectiveness. Under the argument that there should be some level of public support to keep the organization functioning, FPX might have approached either the GOH or other international donors for continued support, either through direct operating support or by the creation of an endowment fund.

Level of self-sufficiency actually achieved: The cumulative amount of project funds obligated by USAID for the FPX component of the project is US \$8,736,387. It is expected that this level of obligation will fully fund all FPX operations through the PACD.

FPX's historical operating expenditures and level of financial self sufficiency (ie. the percentage of direct operating costs covered by internally generated funds) for the past four years is shown in the following chart:

FPX FISCAL YEAR OPERATING RESULTS (Lps. 000)

ITEM	1990/91	1991/92	1992/93	1993/94 (1)
INCOME:				
USAID DONATIONS	2,778	3,461	4,303	3,100
GOH (COUNTERPART)	1,158	1,247	1,850	1,850
FPX OPERATING INCOME	1,781	2,202	1,947	1,250
TOTAL INCOME	5,727	6,910	8,100	6,200
OPERATING EXPENSES:	3,724	3,963	4,674	3,600
INCOME LESS OPERATING EXPENSES	2,003	2,947	3,426	2,600
PERCENTAGE SELF-SUFFICIENCY	48%	56%	41%	35%

(1) 1994 figures are based on actual (unaudited) financial results through February 28, 1994, and projected operations at a reduced level for the remainder of the fiscal year.

The level of self-sufficiency calculated in the above table is actually overstated, because operating income reported by FPX includes payments received from producers for expatriate technical assistance provided to them. Since this TA is provided under USAID dollar contracts and made available to FPX, the cost is not reflected as a Lempira operating expense on FPX's accounting records. Therefore, the percentages are overstated to some amount.

As shown by the above table, the closest that FPX has come to achieving financial self-sufficiency during the four-year period was 56% in 1991/92. Although they are currently operating at a reduced level of expenditures, the income received by the organization from the sale of services has been reduced dramatically. The primary reason is that fewer seminars have been held during 1993/94.

At FPX's current, reduced level of operations, their annual operating expenses are estimated at around Lps. 3,200,000 per year.

FPX has recently completed a number of projections showing its financial situation under a number of different alternatives after the PACD when USAID funding support ends. In general, the projections show that by liquidating their investments and providing a reduced level of service, FPX can continue to operate after the PACD. A key element in their financial planning is that GOH support from the interest "spread" will continue beyond the PACD.

C. Marketing and Export Services

Providing marketing services has been among the key activities for meeting FPX's goal of promoting economic growth and employment through development of non-traditional exports. The primary marketing services involve the areas of general export marketing assistance, market information, liaison with buyers and other trade contacts, and export logistics.

1. Marketing information services

"Information and networking" - providing market information as a means of stimulating the agricultural export industry - was specified as one of the basic activities of the project. It was planned in the EDS project design that an information system would be developed to provide up-dated price, supply/demand, shipping information, product grades and standards, phytosanitary requirements, lists of potential importers, consumer demand, input availability (including packing materials) and information on credit lines for agribusiness.

The project paper specified that information on agricultural production was also to be covered, such as documentation on technological packages, cultural practices, and production systems. This was to have supplemented the main agronomic reference library at FHIA.

It was planned that marketing information would be disseminated via the mass media and also through a "specialized self-financed newsletter."

FPX started developing its library soon after project implementation in 1984, initially by photocopying a number of existing documents, and from donations of books and

reference materials from the U.S. Information Service. Later, project funds were used to acquire a large amount of additional material, and a full-time information specialist was hired to staff the Documentation Center (CENDOC). CENDOC ultimately became one of the most dynamic information centers found among the dozen or so institutions supporting the NTAE industry in Central America.

Staffing consists of a librarian and a database manager. The center's collection is well-stocked with over 3,000 current documents, and nearly 200 periodicals. Much emphasis has been placed on maintaining a collection of up to date materials covering post harvest handling and marketing of NTAE products. Information relating to production and general reference materials have been given less priority. Because much of the information is a highly-specialized coverage of new products and technologies, FPX's collection is unique to Honduras.

CENDOC offers a number of services including photocopying of publications, preparation of detailed "product files" on request, bibliographies, current and historic price information and more. Sales of these services and information products allow CENDOC to cover most of its basic operating costs. Plans were previously underway to aggressively market CENDOC's information products and services and turn the center into a fully profitable operation which would generate finances for FPX as donor-funded budgets are reduced. This plan now appears to be on hold due to staff reductions and management changes.

CENDOC uses AgriData and PRONET to obtain current price quotes in U.S. markets, and plans to connect to the ITC to obtain more information on ornamental crops.

While FPX staff must be given full credit in building a relatively strong information providing capacities, there has been considerable support from the PROEXAG project over the past seven years. PROEXAG played a key role in developing information sources, data bases and market contacts, in staff training and in computerizing FPX's operations. While FPX now has highly-skilled library and computer specialists, the likely winding down of the PROEXAG project in late 1994 will mark the end of a long period of significant support.

One difficulty cited by CENDOC staff is a lack of appreciation of the value of the information provided. Many users are reluctant to pay for information services and expect them for free. This is a common problem for nearly all the NTAE information centers in the region. Finally, the physical layout of the CENDOC is entirely inadequate, with users sometimes required to consult information in FPX's reception area.

The main clients for FPX's information products and services include producers, consultants, students and FPX staff. Demand for information appears to be growing significantly, despite limited promotion of the services. For example, in the first 8 months of the current FPX operating year (July 1993 through mid-March 1994) some

480 information requests have been made, up nearly 50% from the same period one year ago.

While CENDOC is the "hub" of FPX's information activities, the technical staff also plays a key role in disseminating information directly to FPX clients and others. While the information is good, FPX is reportedly deficient in distributing the information to clients outside of San Pedro Sula. This is the sole source of timely market information for many of the exporters associated with FPX and is reported to be greatly appreciated. FPX has published a high quality *Boletín Informativo* for a number of years as one of its main conduits of information to its member and to others. This publication has been halted now for nearly one year, although a special edition covering FPX's 10 year anniversary is currently being prepared. Finally, FPX has organized numerous seminars and conferences which have also been one of the key means of providing information to the NTAE industry.

2. FPX International

FPX opened an office in Miami in 1988 which was legally attached to the Honduran Consul General, but which later was organized as a subsidiary company, FPX International. The purpose of the office is to provide marketing services to Honduran exporters of agricultural products by performing inspections upon arrival of fresh produce, maintain contact with brokers, and provide market intelligence. The office is staffed by a single individual who is a Honduran national.

The office provides important services by generating price and market information on specific commodities, provides feedback on the arrival condition of containers of fresh produce, provides market intelligence, and in general, fills the role as the "eyes and ears" of Honduran exporters in their major market. The office also protects the financial interest of the exporters by ensuring that quality claims are not exaggerated by brokers, and that sales prices are not downgraded by false statements about arrival quality.

The office has reportedly created good working relationships with the local importers, and appears to enjoy a good reputation in the trade. As a consequence, there is increasing interest in its services from exporters in Central and South America as well as from other U.S. brokers.

FPX has at times requested services from the Miami office which are outside its intended purpose. The office has served as a procurement agent to obtain equipment and supplies in the United States, and is currently acting as an in-house broker to sell FPX tilapia exported to Miami. These are a distraction from the primary task of providing export services.

The office is not financially self-supporting, and there are numerous obstacles to be overcome to make so. Since most of the NTAE products exported to the United States from Honduras are seasonal, and serve only the winter market, the workload for arrival

inspections is primarily during the winter months. Furthermore, the larger exporters prefer to use their own employee (often a family member) to meet their shipments in Miami. Smaller shippers, such as cooperatives, often have unstable operations, variable product quality and a short lifespan in the market, so they are not reliable customers. In addition, if FPX-sponsored USDA pre-inspections take place in Honduras before containers are shipped, there may be less demand in the future for inspection services.

Relatively little promotional work has been carried out to attempt to expand its potential client base in Honduras and other countries. New activities need to be developed to generate revenues during the off-season for produce. Operating costs during the 1993/94 fiscal year are projected to be slightly over US \$100,000. Revenue received during the first three months of the 1994 calendar year were \$12,000, a significant increase compared to a year ago. An in-depth review should be made of the potential market for the services of the Miami office, a concrete strategy developed for self sufficiency, and a financial plan generated which reflects the strategy.

3. Trade fairs and promotional activity

FPX staff and clients have participated in numerous trade events since the beginning of the project. In 1990/91 there were a total of 82 trips to trade fairs and international training events, 44 by FPX and 38 by exporters. Attendance at the major produce and seafood trade fairs has been highly beneficial to FPX and its clients. As one FPX staff member put it "the fairs open a whole world of opportunities, ideas, technologies and trade contacts."

FPX believes that participation in trade events has generated considerable business. For example, the idea for going into the current ginger business came directly from conversations with buyers at an international trade fair.

Based on discussions with FPX staff and knowledgeable observers, there may have been some less than ideal use of resources at times, with too many salesmen and too few products to sell." There was definitely a "learning curve" on the part of FPX as to how to fully represent itself at trade events. One senior level FPX official reported that generally speaking, the FPX groups attending trade shows have been acceptable, but sometimes the producers that attend trade shows have not been well selected. For example, three exporters of frozen foods/vegetables attended the Produce Marketing Association Conference (PMA), a fresh produce conference. This same person noted that he has made a lot of good contacts in trade shows which have in turn been highly useful to the organization.

4. Other marketing services

In addition to the service described above, FXP provides a number of marketing services to producers as part of its on-going crop specific projects. FPX manages all phases the export process from production, post-harvest handling to export logistics and

liaison with brokers. The focus of these efforts is on specific crop development projects, as opposed to providing general marketing services for the agro-export sector. One particularly insightful respondent to a membership survey conducted by FPX in early 1992 made the following observation: "...I believe that the institution is still somewhat overloaded with staff trained in agricultural production disciplines, with very few with backgrounds which can help their members (actual or potential) sell their products, expand markets, reduce transport costs, lengthen product freshness, improve storage, and obtain information concerning international competition, etc....".

5. Promoting FPX

One criticism of FPX heard several times during this evaluation was that the public has not been well informed of what FPX is all about. Clearly, during its 10 years of existence, considerable publicity has been generated about FPX, and the general public, as well as the many thousands of people reportedly employed in FPX-related businesses know about the organization. In 1992 a full-time public relations officer with a background in Journalism published many articles in the press. FPX has participated in numerous local, regional and international trade fairs and conferences. An FPX staff member accompanied the Honduran President on several trade missions.

The current management recognizes that much more could be done in promoting FPX and in disseminating NTAE related information in general. It was explained however, that more emphasis is placed by FPX on demonstrating tangible results in the form of successful projects, than on dissemination more general information that may or may not lead to someone actually entering into the export business.

Clearly the FPX beacon is not lighting the way for potential new members and exporters to become affiliated with the organization.

D. Administrative and Financial

FPX has a comprehensive, computer based, accounting system which has appropriate operating procedures manuals and controls. The chart of accounts is structured to separate transactions by funding sources and such account numbers are assigned at the initiation of each transaction. Financial statements and supporting detail accounts are generated monthly for four separate "funds" which are also merged to generate overall consolidated statements for FPX as a whole. These monthly statements also include reports comparing budgeted and actual expenses for each fund and a consolidated comparison. All deficiencies noted in the external auditors' reports for the three fiscal years ended June 30, 1993, plus those systemic deficiencies noted in the August 1991, pre-award survey performed by the AID Regional Inspector General (through a contract with Arthur Andersen & Co., Guatemala) have been corrected, including realistic provisions for uncollectible loans. The only exception noted in the auditors' opinion for the fiscal year June 30, 1993, was that regarding

the consolidation of the operating results of owned or majority controlled subsidiary companies resulting from investments.

FPX maintains separate bank accounts for different funding sources (as required by agreements) and disbursements from those accounts are made when appropriate supporting documentation such as invoices, purchase orders, and receiving reports, etc., are provided.

FPX has established procurement procedures which require requisitions approved by those with the designated authority, budget confirmation, and competitive bids for procurement above a certain value. Of course, procurement of large dollar value items financed by AID require AID approval and significant AID involvement in the process, e.g., the recent purchase of ten vehicles.

FPX has two written operating policy manuals, i.e., one for personnel administration and a second for general administrative procedures and accounting. Both manuals reviewed were issued in December 1991. Parts of both manuals are currently being updated due to the recent reduction in staff and temporary reassignment of responsibilities of within the organization. The personnel manual includes policies on recruitment and selection, evaluation, vacations, training compensation, performance incentives, conflicts of interest and confidentiality of information, and termination. The manual for administrative and accounting policies includes various fund controls, lines of credit guidance, procurement system, budget planning and execution, vehicle use and control, preparation of AID reimbursement requests, operation and control of the information system (including system security), monthly accounting closure procedures, and the system for inventory and control of property and equipment.

Based on observations made by the evaluation team, we believe that reasonable control of supplies and materials, and office equipment usage exists at the FPX office in San Pedro Sula. Offices, desks and supply rooms are locked during non-working hours and often even when the occupant is absent for more than a very short time. Copying machines that are not in a locked office require an entry code to operate and all copies against each code are recorded.

Vehicles are assigned to a particular regional office or functional office in San Pedro Sula. For example, six of the seven new Ford Explorer vehicles are assigned to office personnel in San Pedro Sula and the seventh vehicle is assigned to the Office Manager in Choluteca. The three new Ford Ranger Pickups are assigned to the northern, central, and southern regional offices, respectively.

In view of the reduced staff (currently 39) the vehicles, computers, and other office equipment and furniture should be reviewed for possible disposal through reassignment or sale in accordance with USAID procedures for disposal of property items procured with USAID funds.

E. Training and Extension

1. Internal training programs

Internal training programs at FPX have been focused on three general topics: a) administrative functions and the usage of computers, b) developing knowledge and skills in the marketing of export products, and c) developing knowledge and skills in production aspects of export products.

2. Producer training and extension

FPX training programs for producers have been limited by the constraint that skilled technicians are not readily available in Honduras in the production of non-traditional products. In almost all cases, training has taken place through the intervention of short-term expatriate technical advisors with experience in production and commercialization of FPX - promoted NTAE commodities. In addition to providing general information on the products under development at field days and seminars, the advisors normally visit the farms of participating growers and made individual recommendations on specific cases. The growers are charged a fee, based on a scheduled rate per manzana, for the technical assistance provided by the technical advisor.

Following the visit of the expatriate technical advisor, FPX technical employees are responsible for overseeing the implementation of the recommendations, and for providing extension services to the growers. Under normal operating procedures, neither the initial technical assistance nor the subsequent follow-up and outreach by FPX technical employees is coordinated with FHIA. Close coordination of these activities and imparting the knowledge gained to both organizations would be extremely beneficial.

Extension and marketing services provided by FPX have been oriented toward product development. To develop a new export product, FPX uses a "commodity systems" approach which ensures the vertical coordination of the producer-to-market operational chain. Each commodity system is composed of numerous factors, from adequate soil and water conditions, and pest and fungus control, to specific market requirements. The system's line operation is the grower-processor-shipper-marketer chain which moves the product from production to consumption. Naturally, key elements in the chain are production and post-harvest functions where adequate research and development play a critical role. With the creation of FHIA, it was planned that the research institute would play a key role in the operation by providing technical and research support required to effectively complete the grower-market operations chain.

Despite the benefits to be derived from "farming out" production activities to specialized organizations such as FHIA, in most cases FPX has chosen to perform these tasks in-house, which reinforces the tendency for diffusion of efforts and over-extension into too many activities.

FPX provides the following information and services to producers and exporters:

- Identification of promising new products based on market studies or market intelligence.
- Determining if the product can likely be grown successfully at certain locations in Honduras.
- Promoting the new product to farmers through the use of technical information, field days, or production seminars.
- Production supervision and extension services; the development of test plots, and the provision of production/post-harvest technical assistance, either by in-house technicians, or contracted experts.
- Determining the production season and product quality standards by analyzing marketing "windows", prices, and competitive sources.
- Assist with transportation arrangements and exporting procedures.
- Maintain contacts with importers and brokers on behalf of the producers and exporters.
- Provide current information to producers and shippers on market conditions and prices.

While agricultural extension services are a necessary component of product development, FPX has overstepped the intended limits of its activities, as defined by the original project paper. Not only did FPX engage in production activity, but they did so without coordinating their efforts with FHIA.

F. Economic Aspects

1. Benefits for the economy

This section focuses on the three major commodity crops in which FPX has been closely involved, and analyzes the benefits derived from these in terms of land resource use, employment generated, and export earnings. The following table shows a 7,100 hectare increment (44 percent) in total land used for the major crops in which FPX has been active. It is estimated that FPX would have been directly involved in about 35-40 percent of these areas.

The time frame used is 1989 through 1992, starting when FPX's shrimp program began.

Selected Areas Under Production (Hectares)

	1989	1992
Shrimp Farming:	5,500	9,000
Melons:	3,200	4,000
Cocoa:	3,900	6,500
Others:	3,400	3,200
Total:	16,000	23,100

Another important aspect with macro-economic implications is employment generation. The following are estimates of employment generated by FPX activities in primary crops, stated as the equivalent to full-time employment, as well as the proportion of female labor. According to the data the total employment in selected NTAE crops in 1988 was 6,110 jobs. This rose by 6,768 jobs, to a total of 12,878 by the end of 1992. Of the total, 31 percent of the employees were female.

Estimated Employment for Selected Crops through FPX-Assisted Projects

PRODUCT	1989/90		1990/91		1991/92		1992/93	
	TOTAL	% WOMEN						
SHRIMP	3,005	N/A	3,899	25	4,352	35	4,364	32
MELON	1,752	N/A	2,734	22	2,274	22	2,460	19
COCOA	250	N/A	233	25	1,300	31	1,400	32
OTHERS	2,134	N/A	872	43	2,611	46	4,654	37
TOTAL	7,146	N/A	7,738	28	10,537	34	12,878	31

The last element presented is foreign exchange earnings. Project data (for these selected crop lines) are not available before 1989, so comparisons cannot be made with foreign exchange earned in previous years.

**FPX Contribution to Export Earnings
of Selected NTAE Sector Activities**

	<u>1989</u>	<u>1990</u>	<u>1991</u>	<u>1992</u>	<u>Total</u>
FPX Projects (\$000)	8221	11460	16057	24507	60245
NTAE Sector (\$000)	25710	37600	48387	61975	173672
Percentage of Sector	32	30	33	40	35

In shrimp farming, FPX provided investment credit and/or certification of a producer's capability to local banks, on-site technical assistance and training to introduce new and upgrade existing production facilities. By June 1993 FPX reported it had worked directly with 23 of the 37 shrimp farms (62 percent), which account for 3,842 hectares of area in production (43 percent). Many farms still receive technical assistance or have their own FPX-trained technicians. FPX also works with 50 projects owned and run by small producers. Average yields have increased by 135 percent throughout the sector since 1989, when the FPX program began. The project's effect on employment has been important for the region, creating approximately 6,300 jobs in production, in addition to those created in the packing plants. For 9,000 hectares covering all cultivated shrimp activities, the estimated direct labor would be 15,000 jobs in production plus 1,700 in packing (about 1,100 being women) for a total of 16,700 jobs created by the end of 1993. In addition, an unknown number of secondary jobs (e.g., ice and package making, transport) was also created. Virtually all direct labor on the farming side is male, but an estimated 65 percent of packing plant personnel is female. The gross foreign exchange earned for total shrimp exports (including marine and cultivated shrimp) reached US\$ 62.7 million in 1992, making shrimp the third largest agricultural export for Honduras. The cultivated shrimp contribution was about 65 percent of the total sector.

In 1987, FPX began providing technical assistance and financing to melon producers. Their assistance helped improve the production technology in this demanding industry. According to USDA, exports of cantaloupe melon to the U.S. rose 223 percent (to over 55,000 metric tons) from 1987 to 1992. FPX assisted growers in obtaining favorable shipping rates and in making available a Miami-port inspection service as a check against possible broker allegations of sub-standard product received.

Other FPX activities included the full-time managerial and marketing technical support through an advisor for the cocoa producers association, which groups approximately one third of total production and 40 percent of exports. FPX has been active also in smaller volume export crops, such as ginger, sweet onions, asparagus, usually in conjunction with FHIA for the production technology (except for ginger). This activity is a logical response to the need for diversification based on market opportunities. The interest in

ginger arose from an FPX - sponsored trade visit to Los Angeles which was made to search for new products with export potential.

Responses such as these by FPX and other institutions have helped the agricultural sector grow (in constant 1978 Lempiras) an average of 3.4 percent between 1989 and 1991, slightly more than total population. This inference stems from the stagnation or decline in more traditional crops, such as bananas, coffee (as far as world prices), sugar cane, tobacco, and cotton. With the recent liberalization of Central American markets, Honduras needs to position itself both regionally and extra-regionally. It has a comparative advantage in transport costs as compared to Nicaragua and El Salvador, but needs the diversified product lines to take advantage of this as a supplier to U.S. and European markets. To help open markets, FPX recently has assisted producers of watermelon in shipping 20 containers to Europe, and the group of ginger producers expect to send 20 containers this season. Shipments of watermelon also have been made to Canada.

2. Economic analysis of crops

Until recently FPX used an analytical tool called the Product Development Plan (PDP) for targeted crops such as cocoa, asparagus, mango, red tilapia and others, which was more a product strategy description for FPX internal use than a production or market report. It described aspects of production, marketing channels and contacts, harvest-handling-quality standards, market price time series, and offered an operational budget based on assumed sales receipts and direct and indirect costs. Products were chosen based on if they seemed to have a relatively stable market, and if the volume seemed large enough to warrant the effort by FPX. However, the PDP was not a market study nor an economic study. It lacked the analysis of what seemed probable from a marketing viewpoint and did not offer basic financial analysis, except for the budget, a profit and loss estimation, and cash flow. Perhaps it served its purpose to orient FPX staff, but it was incomplete for outside use. Without becoming too sophisticated, investors/producers would have needed at least an analysis of past market behavior, the more sensitive cost factors, and the break-even point given the necessary assumptions.

At the end of 1993 a new tool called the Commercial Product Profile (PCP in Spanish) was produced for 11 products, and although not as strategy-oriented as the PDP, it still lacked basic analysis. By March 1994 a much improved version (of at least the mango PCP) was written, which contains much more analysis and is better organized. More complicated financial analyses are included, marketing conclusions are reached (the case of mango had a cautionary note), and sensitivity analysis is presented. The PCP probably is useful for the investor and banker, but its complexity may be intimidating for the average producer. Simultaneous use of the operational budgets, the internal rate of return, the net present value, the benefit-cost ratio, the investment recovery time frame, plus sensitivity percentages make the PCP formidable. This consultant feels that more explanation of fewer of the present financial analyses (such as the internal rate of return and investment recovery), plus a break-even analysis (which is easily understood

and can be used to show "what-if" modifications of production and market conditions), would allow wider usage.

FPX has long experience in presenting well-defined marketing and financial analyses, as evident in documents from the shrimp program, and lessons should be learned from them. The long-term advisor who has worked with these analyses should have been part of drafting the PCP format and content, as well as training FPX staff in the use of such analyses. FPX's membership and clientele value the marketing-related services that FPX represents for them, and much could be done to improve the depth and quality of this information.

3. Cost effectiveness of the project

An estimate can be made of the financial contribution of the project to the selected NTAE activities addressed above by showing the export earnings of operations assisted by FPX, and comparing the FPX-assisted group to the total industry. This calculation was provided to the team by USAID. The following charts show the estimated amount of export earnings and the approximate number of jobs created in the NTAE sector, from 1989 to 1992.

FPX Contribution to Export Earnings of Selected NTAE Sector Activities

FPX PROJECTS	1989	1990	1991	1992	TOTAL
VALUE (US \$000)	8,221	11,460	16,057	24,507	60,245
% OF ENTIRE SECTOR	32%	30%	33%	40%	35%

FPX Contribution to Employment of Selected NTAE Sector Activities

FPX PROJECTS	1989	1990	1991	1992	TOTAL
JOBS CREATED	7,146	7,738	11,012	12,878	38,774
% OF ENTIRE SECTOR	31%	29%	37%	39%	34%

These indicators are consistent with piecemeal data obtained from other sources, including FPX. When the benefits derived from the project are compared to the amount of USAID funds obligated to the FPX portion of the project (US \$8.7 million obligated to date), the return on expenditure indicates that the project was highly successful.

G. Women in Development Issues

This project was authorized in August 1984, and the conceptual planning and design started in 1983 or even earlier. At that time AID design guidelines did not include gender specific guidance regarding target beneficiary groups directed toward improving the lives of women. The project paper does not mention women anywhere, including the social soundness and targeted beneficiary sections. Therefore, no mechanisms or linkages were established to measure any such direct benefits.

Reasonably reliable agricultural employment information attributable to FPX activities is available and based on that information approximately 3,600 women have been employed as a result of the approximately 10,000 jobs created on the agricultural sector through FPX's crop development and export promotion activities.

Both AID and FPX are now attaching greater importance to positive impact on women in their future planning and monitoring activities. Also efforts are being made to establish reliable statistical methods to measure program impact on women in future projects.

V. FUTURE DIRECTION

The terms of reference for the evaluation required that the team look at possible future project activity to continue the work of FHIA and FPX. One issue to be addressed was the possible consolidation and streamlining of project activity by merging the two organizations or suggesting other means of integrating or coordinating their respective activities. This was later changed to an analysis of different alternatives that USAID might consider to continue the most important work performed by FPX, under the assumption that FPX would no longer exist as a federation.

A. Services Provided by FPX to the NTAE Sector

The first step in the analysis is to define clearly what services FPX provides to their members. These are: a) market and product information, b) product development, and c) export marketing services.

Market and product information is provided by the CENDOC information center, and is supplemented by information on current market prices and market intelligence for specific products which is made available by import brokers to the FPX field representatives coordinating the production and shipment of that products.

Product development incorporates those activities in the "commodity system" required to develop a new product and ship it to market: research, seed selection, trial plots, crop cultivation, harvest, selection, grading, packing, cooling, storage, transportation, marketing, and sales.

Export marketing services include activities such as representing Honduran exporters of agroindustrial and aquaculture products at international trade fairs and conventions; providing a point of contact for foreign brokers wishing to source produce in Honduras, as well as Honduran exporters wishing to make contact with foreign importers; assisting importers and exporters "make deals"; weeding out dishonest brokers, and in general, keeping current with market intelligence on Honduran products in overseas markets. Operating the Miami office is another export marketing service carried out by FPX.

B. Alternatives for Providing FPX Services

The following alternatives are presented for the consideration by USAID as a means of continuing the activities carried out by FPX:

1. Market and product information

While there are a number of excellent institutions in Honduras (i.e. Zamorano) which could easily "absorb" CENDOC, the most logical solution would be to transfer the entire CENDOC facility to FHIA's Communications Center. Considerable synergy could result if the two information services were combined. However, it is

recommended that the functions of CENDOC not be merged with those of Fhia's library and information center; CENDOC should maintain its integrity as a marketing information unit, and function as a sub-unit within the Communications Center.

2. Product development

It is recommended that future USAID support of NTAE product development continue to emphasize the commodity systems approach. In addition, potential new commodities to be developed in Honduras should be selected on the basis of a) the size and availability of potential markets, b) the ability of involved and committed producers in Honduras to produce and deliver the commodity to market at competitive price and quality, and c) the potential overall economic of the new product on the Honduran economy.

Project activities to develop NTAE commodities should focus on a limited number of new products (say, 5 - 6 products for which real markets - niche or otherwise - exist), to be developed over a specified time period. Activities carried out under the project would include all those described in the "commodity system", as well as making a number of product trial shipments to targeted markets. The project would work with a group of Honduran producers to produce the targeted product, and would assist with marketing arrangements in the importing country. The project would support this activity until the product "graduates", or when the process reaches the state where shipments could continue on an unassisted basis.

The team could generate only two reasonable alternatives for product development: a) FHIA, and b) a "mini" version of the regional PROEXAG Project which could be designed to serve only Honduras.

FHIA is the recommended alternative for several reasons:

- a) FHIA has the in-house expertise (or the ability to easily acquire the technical expertise) needed to implement a project of this type. FHIA obviously has experience in carrying out research trials and production of diversified crops; FHIA's post-harvest program will soon be fully staffed, including a highly qualified expatriate technical advisor.
- b) Carrying out product development work through FHIA will be much more cost-effective than using a stand-alone, "mini" PROEXAG project partially staffed by expatriates. Some additions to permanent staff at FHIA would be required, which could be supplemented by STTA. Additionally, changes in the direction of FHIA's research, and changes in FHIA's research philosophy would be required.
- c) FHIA will be involved with international markets as a result of the work required to select the products to be developed, and by carrying out the trial shipments. This

experience will be of tremendous value to FHIA, and help the organization orient future research activity.

3. Export marketing services

Three possible alternatives were generated as a means of providing export marketing services if FPX is no longer capable of providing them. The advantages and disadvantages of each alternative are as follows:

- a) **Do nothing - for awhile:** FPX was a "top-down" Federation created from USAID project resources which never took root as a broadly-based organization with strong member support. One alternative for providing export marketing services would be to wait and see if an exporters' association or other similar organization might evolve as a strong, grass roots representative of Honduran exporters in the aftermath of FPX. In this event, the organization could be an excellent partner with which USAID could work to support export marketing. This would be a long-term solution which, in the end, could prove to be highly effective. Under this alternative, limited support could be provided to the Miami office on a phase-out basis as it achieves self-sufficiency.

The downside of this alternative is that an effective grass roots organization might never evolve, even with outside encouragement. However, in the face of limited project funds for future activities, this "holding" operation would require few funds.

- b) **Create an export marketing Division at FHIA:** This could be a cost-effective means of providing this category of services, since FHIA is a local, established organization. This alternative would also be a logical follow-on to relocating CENDOC to the FHIA Information Center and arranging for FHIA to carry out NTAE product development activity. Further exposure to international markets arising from this activity would also be beneficial to FHIA.

Under this alternative the project design would need to respond to concerns about FHIA's ability to continue as a premier research organization while providing a range of services not related to its primary purpose, and to what extent export marketing activity would be a distraction to FHIA management.

- c) **Contract a private company to carry out export marketing services on behalf of Honduras exporters:** This alternative could also be carried out through a "mini" PROEXAG project. It would be more costly on a "stand alone" basis, but it would most likely be a highly effective way to deliver these services since some of the staff would be expatriate professionals in the field. Under this alternative, the risk of "distracting" FHIA from its intended purpose of providing quality research would be minimized.

The organization would be responsible for promoting and assisting in the marketing of all Honduran agro-exports, and would attend trade shows, link brokers with exporters, assist in the screening of potential customers, become involved in shipping negotiations, perform inspections and quality control at both shipping point and the receiving point, and assist in meeting import regulation in the importing country. The organization could also provide valuable assistance to FHIA on the marketing aspects of product development.

The company would be contracted for a planned, limited life during which time USAID project support would be provided.

The project team might be able to work at FHIA's complex in La Lima. This would bring about some reduction in operating costs, and would ensuring close coordination with FHIA's information and product development activity.

VI. EVALUATION METHOD

As specified by the terms of reference for this evaluation, the team carried out concurrent final evaluations of FHIA (Project No. 522-0249) and of the FPX component of the Export Development and Services Project (522-0207). The evaluations took place in Honduras over a period of nearly one month, from March 13 - April 12, 1994.

The evaluation team was composed of seven persons, whose individual skills, and the level of effort authorized for each member, are shown in the following table. The approximate breakdown in the amount of time spent between the two organizations is also shown.

For purposes of travel and logistics, two separate groups were formed. Group 1 (G-1) visited FPX projects, facilities, and subsidiary businesses in Comayagua, Choluteca, Yojoa, and San Pedro Sula. Group 2 (G-2) visited FHIA's research and production plots in La Lima, Comayagua, Progreso, La Masica, La Ceiba, Calan, and La Esperanza.

GROUP	POSITION	% TIME WORKED	
		FPX	FHIA
G-1	Chief of Party; Ag Marketing and Member Organization Specialist (COP)	60	40
	Institutional Development and Management Specialist (IDMS)	65	35
	Market Information Specialist (MIS)	95	5
	Finance and Accounting Specialist (FAS)	40	60
G-2	Research Specialist (RS)	0	100
	Economist (EC)	40	60
	Communications/Training Specialist (CTS)	45	55

The team was based in San Pedro Sula for most of the evaluation with some of the members working at FPX's offices in San Pedro Sula, and others working at FHIA's offices in La Lima. During the final week of the evaluation the team moved to Tegucigalpa, to make presentations of work completed to USAID, and for drafting the final versions of the reports.

The Scope of Work specified that separate evaluations would be carried out for FPX and FHIA, and that a special report be written analyzing the possibility of "fusion" or some other means of achieving greater coordination of project-related work performed by the two organizations. Overall responsibility for producing the three reports was assigned to the COP, with the support of the other team members. In addition, each team member was responsible for writing individual evaluation reports on FPX and FHIA, from the unique perspective of their job specialty as shown in the above table. The individual reports also responded to the specific questions listed in the Scope of Work.

Given the large number of questions which had to be answered as part of the evaluation, it was necessary for each team members to answer a range of questions on the two organizations which

were generally related to his area of expertise. (See Table 2 of Annex II for a listing of the required tasks, and their assignment for completion). Individual team members had to work independently, but in close coordination with other members. Therefore, a two-day meeting was scheduled for work planning and team orientation on the first day after the team was assembled in San Pedro Sula as a means of ensuring that the work would be tightly coordinated from the beginning. The meeting was attended by team members, USAID Officers, and managers from FPX and FHIA. Following the planning session, the team made a tour of FHIA's installations and research project activity in La Lima. Afterwards, several team members also made an informal tour of FPX's offices and documentation center in San Pedro Sula.

During the course of the evaluation, team members met with USAID officials involved with the two projects; with members of the Board of Directors, the General Manager, and technical employees of FPX and FHIA, respectively; past General Managers of FPX; FPX members; Government officials, producers, project managers, Cooperatives and other beneficiaries of services, and executives of FPX subsidiaries. A list of persons contacted and their role in the evaluations is shown in Table 1 of Annex II.

As part of our analysis and investigation, the team read a large number of documents related to both projects, and reviewed countless internal documents from the two organizations. A list of documents reviewed by the team is shown in Figure 3 of Annex II.

Mr. Frederico Poey of AGRIDEC in Miami provided information on FPX International in Miami. Mr. Poey interviewed Mr. Juan Moya, the FPX office manager at the FPX office in Miami.

As part of a previous consulting assignment for the PROEXAG project, the Marketing Information Specialist had the opportunity to assess the marketing information system at FPX, as well as eleven other institutions involved in non-traditional agricultural exports from the region. The results of the previous assessment provided valuable insight into the information system at FPX.

The evaluation reports were written after a fairly brief but extensive review of background material, and following many interviews with knowledgeable people. The results and conclusions are subjective. These are based on the information obtained and on the judgement and experience of the team members, whose collective input was the basis for the summary reports. The evaluations were not considered to be an operational audit of the two organizations, nor were they designed to investigate improprieties. The task of the evaluation was to analyze the work accomplished by FPX and FHIA, and to determine to what extent organizations accomplished the goals and purposes of the two respective projects.

ANNEX I

Figures

Figure 1

FPX PERSONNEL LIST

APRIL, 1994

1. **Proyectos del Norte**
Coordinador Ing. Nelson Ortíz
Comprende: Proyectos Agrícolas, Tilapia y Centro de Información Comercial
hombres: 3; mujeres: 1; total: 4
2. **Proyectos del Centro**
Coordinador Ing. Moices Molina
Comprende: Proyectos Agrícolas, Zona Centro y Oriental
hombres: 2; mujeres: 0; total: 2
3. **Proyectos Sur**
Coordinador Ing. Omar Ponce
Comprende: Proyectos Agrícolas, Camaron y Asuntos Administrativos
hombres: 9; mujeres: 2; total: 11
4. **Finanzas**
Coordinador Lic. Austroberto Lara
Comprende: Contabilidad, Evaluación de Filiales y nuevos Proyectos, Gestion Financiera, Cartera BID, Presupuestos e informática
hombres: 5; mujeres: 4; total: 9
5. **Recursos Humanos**
Coordinador Lic. Juan Ramon López
Comprende: Personal, Servicios Generales y Capacitación
hombres: 7; mujeres: 2; total: 9
6. **Auditoría**
Coordinador Lic. Gustavo Figueroa
hombres: 1; mujeres: 0; total: 1
7. **Gerencia General**
Gerente Ing. Medardo Galindo
hombres: 1; mujeres: 2; total: 3
8. **Cuerpo Asesores a Largo Plazo**
Comercio Internacional - Dr. Richard Hopper
Proyectos Agrícolas - Ing. Tito Jimenez
Proyectos Acuicolas - Ing. Roberto Chamorro, Ing. Cornelio Lara e Ing. Daniel Guevara
hombres: 5; mujeres: 0; total: 5

Figure 2

BIBLIOGRAPHY

Documents Reviewed

1. AID Project Paper & Amendments
2. Original Project Agreement & Nine Amendments
3. AID semi-annual progress reports
4. AID project implementation letters (all)
5. 1991 Pre-award survey by AID Regional Inspector General
6. External auditors' reports for three fiscal years ending June 30, 1993
7. FPX Operating Plans and Budgets for FY '91-'94
8. FPX annual activity reports for FY '91-'93
9. FPX quarterly reports for FY '92 & 93
10. Assessment of FPX activities done in 1992 by Chemonics
11. 1992 Development Plans for Red Tilapia, Mangoes, Yucca, Cocoa, Asparagus, and frozen products
12. FPX documents produced from '91 &'93 Centra American Symposia on shrimp.
13. FPX technical report on ginger
14. Various FPX export promotion brochures, e.g., cardomon
15. INCAE case study on "dumping" in Central America
16. 1988 evaluation of FPX (done by AID/FPX/GOH team)
17. Catalog of all publications and documents in the information center
18. Monthly reports of long term advisor George Garcelon for the two years ended March 31, 1992.

ANNEX II

Tables

Table 1

PERSONS AND ORGANIZATIONS CONTACTED

NAME AND ADDRESS	ROLE IN THE EVALUATION
Agency for International Development USAID/Honduras Apartado Postal 3453 Tegucigalpa, M.D.C., Honduras, C.A. Tel 32 3120; Fax 31 2776	USAID is the funding agency for both projects being evaluated.
Mr. Marshall D. Brown, Mission Director	Mr. Brown was a key contact person in the evaluation.
Ms. Elena Brineman, Deputy Mission Director	Ms. Brineman was a key contact person in the evaluation.
Albert Merkel, Ph.D., Project Officer, ARD Tel.: 36 9320	Dr. Merkel is the Project Officer for both projects being evaluated. He was a key contact person in the evaluation.
Mr. Kelly Flowers, Project Development Officer, Development Finance Tel.: 22 2658	Mr. Flowers is the Development Finance Officer for both projects being evaluated. He was a key contact person in the evaluation.
Ms. Betty Cárcamo Development Planning Program Assistant Tel.: 36 9320, ext. 2539	Ms. Carcamo is the Evaluation Officer for both projects being evaluated. He was a key contact person in the evaluation. She was a key contact person in the evaluation.
Mr. Dwight Steen, Chief, ARD	Mr. Steen was a key contact person in the evaluation.
Mr. Vincent Cusumano, Project Officer, ARD	Mr. Cusimano was a key contact person in the evaluation.
Ms. Lisa Velazquez Bowie, Assistant Director Project Development Office Tel: 36 9320, ext. 2525 Fax: 36 7776	Ms. Valenzuela was a key contact person in the evaluation.
Mr. Robert Bonnaffon, Controller	
Mr. R. Lewman, Deputy Controller	
Mrs. L. Matute, Project Accountant	
Mr. G. Ortega, Project Voucher Examiner	

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Table 1

PERSONS AND ORGANIZATIONS CONTACTED

<u>NAME AND ADDRESS</u>	<u>ROLE IN THE EVALUATION</u>
FPX Boulevard Dr. J. Antonio Peraza Contiguo Academia Americana Apartado Postal 1442 San Pedro Sula, Honduras	
Ing. Medardo Galindo, General Manager Tel (504) 52-6794/95; 52-3363; Fax (504) 52-7852	Ing. Galindo is the General Manager of FPX. He was a key contact person in the evaluation.
Sr. Nelson Ortíz, Chief Northern Office	Sr. Ortiz is responsible for CENDOC and was in charge of the tour to Red Tilapia.
Sr. Richard Hopper, USAID Advisor	Mr. Hopper was the previous General Manager of FPX. He was an important source of information.
Sr. Moisés Molina, Chief Central Office	Sr. Molina conducted a tour of FPX projects.
Sr. Antonio Portillo, Agricultural Marketing Officer, Comayagua Tel (504) 52-7851	Sr. Portillo assisted the team in our visit to FPX projects in Comayagua.
FPX - Choluteca Barrio El Centro 5 Calle N.O. Ave. Jose Trinidad Reyes Choluteca, Honduras Tel (504) 82 2837; Fax (504) 82 2550	
Ing. Omar Ponce, Portillo Regional Manager FPX/South	Sr. Portillo assisted the team in our visit to FPX projects in Choluteca.
Ing. Carlos Fúnes, FPX/Choluteca	Ing. Funes assisted the team in our visit to FPX projects in Choluteca.
Ing. Daniel Guevara, Advisor Larvaria Production	
Mr. Austroberto Lara, Manager, Admin. & Finance	
Ms. R. Margarita de Maltez, Chief Accountant	
Mr. Juan Carlos Caceres, Credit Manager	
Mr. G. Figueroa, Internal Auditor	
Mr. Daniel Valladares, FPX Advisor	
Mrs. Isabel Unchia, Chief of Commercial Information Center	
Mr. Donaldo Puerto, President of the Board	
Mr. Rafael Molina García, Member of the Board	
Mr. Moisés Molina, Chief of Central Division	
Mr. Antonio Portillo, Ag. Marketing Officer	
Mr. Rolando Soto, Extension	
Ing. Marco Tulio Mendoza, Chief, Information Serv.	
Ing. Carlos Funez, FPX/South	
Mr. Juan Ramón López, Personnel Office	

Table 1

PERSONS AND ORGANIZATIONS CONTACTED

NAME AND ADDRESS	ROLE IN THE EVALUATION
<u>FPX HOLDINGS:</u>	
EMSSA Empacadora Marina del Sur, S.A. Desvio Carretera a Cedeno, Choluteca Apartado Postal No. 175, Choluteca, Honduras, C.A. Tel (504) 82 2474; Fax (504) 82 2473 Sr. Onan Martinez Ponce, Gerente	Sr. Onan Martinez Ponce assisted the team on our visit to EMSSA's shrimp packing plant near Choluteca.
LARVISUR, S.A. c/o FPX, Choluteca Sr. Johnathan Espinoza, Gerente Tel (Tegucigalpa) (504) 32 3487 Tel (Choluteca) (504) 82 2837	Sr. Espinoza assisted the team in our visit to LARVASUR on El Tigre island in the Gulf of Fonseca.
Red Tilapia San Eduardo S.A. San Manuel, Cortes Sr. Douglas Ventura, Administrador Sr. Manuel Eduardo Calix, Socio Tel (504) 67 4367	Sr. Ventura assisted the team on our visit to Red Tilapia San Eduardo, near San Pedro Sula.
FPX Maranon del Sur, S.A. de C.V. (MARSUR) Choluteca Ing. Danilo A. Manzanares G., Gerente Tel Ofic: (504) 82 2837; Planta (504) 82 3970 Fax (504) 52 7852	Ing. Danilo A. Manzanares assisted the team on our visit to Maranon del Sur, near Choluteca.

Table 1

PERSONS AND ORGANIZATIONS CONTACTED

NAME AND ADDRESS	ROLE IN THE EVALUATION
<u>OTHER INDIVIDUALS AND ORGANIZATIONS:</u>	
Chemonics PROEXAG II Project Bruce L. Brower, Ph.D., Chief of Party 5a. Av. 15-45, Zona 10 Edificio Centro Empresarial, Torre 1, Nivel 9 Guatemala, Guatemala, C.A. Tel (502) 233 7082/83/84; Fax (502) 233 7081	Dr. has worked with both FPX and FHIA through the PROEXAG project. He provided valuable background information and insight.
Cooperativa Regional de Servicios Agropecuarios "Fruta del Sol" Ltda. Ing. Jose Alfredo Zuniga, Gerente General Apartado Postal No. 61, Comayagua, Honduras, C.A. Tel (504) 72 0401; Fax (504) 72 0316	Fruta del Sol is providing the facilities for the packing and export of sweet onions from Comayagua.
EMADEL Farms Sr. J. Romeo Irias H., dueño y Gerente General Santa Cruz de Yohoa, Cortés, Honduras, C.A. Tel (Tegucigalpa) (504) 32 52087 Fax (Tegucigalpa) (504) 32 9379	Sr. Irias is a ginger producer who has been the recipient of FPX technical services for two seasons.
Cultivos Palmerola S.A. de C.V. Ing. Luis Gustavo Flores Jefe Depto. Fitoprotección Frente Aeropuerto Palmerola Apartado Postal No. 119 Tel (504) 72 1382/83/85 Fax (504) 72 1385/0204	Ing. Flores works with a large producer and processor of tomato products near Comayagua. The General Manager is an associate of FPX. In the absence of the General Manager we spoke to Ing. Flores.
FREX International La Paz, La Paz, Honduras, C.A. Tel (504) 74 2130; Fax (504) 74 2232 Sra. Alma Rodas de Fiallos Sr. Manuel Ivan Fiallos Rodas	Sra. de Fiallion was a "Diputada" during the previous administration, and is now the Vice President of the FHIA board. Her company, FREX International, exports mangos to Europe. FREX has received extensive technical assistance from FPX.
Granjas Marinas S.A. de C.V. Sr. Cornelio Corrales, Presidente Choluteca	Sr. Coralles is a member of the board of FPX, and is a major shrimp producer in the Choluteca area.
AGROMONT Sr. Miguel Molina San Lorenzo, Choluteca, Honduras, C.A.	Sr. Molina is a major melon exporter from Choluteca, who exports approximately 1200 containers per year.

Table 1

PERSONS AND ORGANIZATIONS CONTACTED

NAME AND ADDRESS	ROLE IN THE EVALUATION
<u>OTHER INDIVIDUALS AND ORGANIZATIONS:</u>	
Inversiones Santa Elena Sr. Miguel Angel Bonilla Colonia Lomas de Altamaria 23 Ave, 5 Calle No. 50 San Pedro Sula, Cortes, Honduras, C.A. Tel (504) 53 1439	Sr. Bonilla was the previous General Manager of FPX, before the ill-fated administration of Mr. Richard Hopper.
Cooperativa Algodonera del Sur (ALGOSUR) Ing Jose Agripino Lemus M. Choluteca, Choluteca, Honduras, C.A. Tel/Fax (504) 81 2218; Tel (Res) (504) 81 2144	ALGOSUR is a cotton producing cooperative based in Choluteca which has benefitted from USAID assistance for many years. The cooperative is a client of FPX.
Mr. John Lamb Agribusiness Consultant, Former Chief of Party PROEXAG Chemonics International Miami, Florida	
Mr. Israel Gómez Information Specialist, PROEXAG Guatemala	
CAD Sistemas (Representativo de Delphi) Lic. Victoria Perdomo Gerente Ing. en Sistemas San Pedro Sula	
Dr. Rafael Chávez R. Profesor Asociado Zamorano Escuela Agrícola Panamericana Air Mail Via Huracán, Costa Rica	
Cultivos Palmerola S.A. de C.V. Ing. Luis Gustavo Flores Jefe Departamento Fitoprotección Frente Aeropuerto Palmerola Apartado Postal No. 119	
Mr. Miguel Molina AGROMONT San Lorenzo, Choluteca, Honduras	

TENTATIVE ASSIGNMENT OF TASKS

NO.	TASK DESCRIPTION	RESPONSIBLE	ASSISTED BY
	<u>2. Final Evaluation of FPX (Project 522-0207)</u>		
	A. Relevance		
41.	Did the project design for the FPX component correctly identify and address the development constraints?	IDMS	EC
42.	Are these constraints major problems that continue to be germane to the development strategies currently supported by USAID in Honduras?	IDMS	EC
43.	How did the FPX component of the project contribute to the Mission goal of more equitable and sustainable economic growth and development and the Mission strategic objective of increased agricultural investment, production, and exports?	FAS	EC
	B. Effectiveness.	IDMS	
44.	Is the project likely to achieve the purpose of the project and meet the projected outputs by the PACD? The questions should be answered both in quantitative and qualitative terms: Quantitative:	IDMS	
45.	b) Qualitative:	FAS	
46.	What factors impeded project performance, and what actions could have been taken to improve the overall performance of the project?	IDMS	
	C. Efficiency.		
47.	What economic benefits accrued to the economy as a whole as a result of the agricultural export activities accomplished under the project?	EC	
48.	How effective is FPX's analysis of the economic returns of new export crops it recommends to agricultural exporters?	EC	
49.	Using the approach selected by the Mission, are the effects of the project being produced at an acceptable cost compared to alternative approaches to accomplishing the same objectives? In the evaluators judgement, what would have been the most cost effective alternative?	EC	
	D. Impact		
50.	What were the effects, both positive and negative, produced by the FPX component on the intended beneficiaries? Were there any significant unplanned effects?	EC	FAS
	<u>Management Concerns</u>		
51.	How effective is FPX's management system in identifying resources, allocating these to the agricultural sector's marketing and export needs, and monitoring the effects of the services provided? How important is the FPX membership in this process?	IDMS	
52.	What should be the balance of funding between the operational staff (market information, technical assistance market services, etc) and support staff (administrative and accounting operations) in FPX?	IDMS	FAS

Note: RS = Research Specialist; COP = Chief of Party; IDMS = Institutional Development and Management Specialist; CTS = Communications and Training Specialist; EC = Economist; MIS = Marketing Information Specialist; FAS = Finance and Accounting Specialist; Team= All members

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NO.	TASK DESCRIPTION	RESPONSIBLE	ASSISTED BY
53.	How effective is FPX's membership system for controlling and directing operations?	IDMS	
54.	How effective is the process for reviewing and approving the annual work plans, budgets, and other planning documents, internally and externally? What methods should be used to evaluate progress toward accomplishing project objectives, as well as achieving the outputs in the annual work plans?	FAS	IDMS
	<u>Marketing and Export Services</u>		
55.	How timely and appropriate is the marketing information produced and transmitted to FPX members and other project beneficiaries? How is this information used by recipients?	MIS	
56.	How effective is the Miami office in assisting with marketing and arrival inspections? When will it become self-sufficient, if ever?	MIS	
57.	Are FPX's investments (EMSA, LARVISUR, MARSUR, and Red Telapia) meeting the needs of the export sectors they are designed to service?	MIS	
58.	What are the principal achievements of FPX's program that sponsors the attendance of exporters and producers at international trade shows, and of its other marketing activities? Does FPX coordinate closely with GOH programs and FHIA research programs? If not, what are the constraints?	MIS	
	<u>Administrative Concerns</u>		
59.	What progress has FPX made toward achieving an efficient and generally acceptable accounting system (accounts, internal control, control of cash flow and procurement systems)?	FAS	
60.	Are FPX's written policies on operations adequate and up to date?	FAS	
61.	Is there sufficient control of resources such as vehicles, supplies, etc.?	FAS	
	<u>Training/Communications</u>		
62.	What is the utilization of the FPX Communications System, including the resource library, marketing information distribution system, and the training/seminar program?	CTS	
63.	During the last two years, what have been the criteria for the selection of participants? Is there follow-on evaluation of the training? Are gender concerns addressed?	CTS	
64.	What is the quality of published materials distributed to the public by FPX, such as newsletters, manuals, research reports, etc? How have these materials been used by recipients?	CTS	
65.	Have extension services provided by FPX reached project intended beneficiaries? What has been the impact of these services?	CTS	

Note: RS = Research Specialist; COP = Chief of Party; IDMS = Institutional Development and Management Specialist; CTS = Communications and Training Specialist; EC = Economist; MIS = Marketing Information Specialist; FAS = Finance and Accounting Specialist; Team= All members

NO.	TASK DESCRIPTION	RESPONSIBLE	ASSISTED BY
	E. Sustainability		
66.	Is the strategy of investing in relatively high risk ventures a reliable manner to become financially self sufficient?	EC	FAS
67.	Is there sufficient potential for income increase coming from member dues, income from the provision of services, and income from investments to assure that FPX will become self-sufficient after the PACD?	EC	FAS
68.	Does FPX's income from services meet the cost of providing those services? Is what FPX charges for these services reasonable in light of the project's objectives and the constraints of working in Honduras?	EC	FAS
69.	What additional actions need to be taken to assure that the positive effects of the project are sustained?	EC	FAS
	F. Future Direction		
70.	Do the evaluation findings provide sufficient sound evidence of the value and relevance of the FPX component to merit continued support?	COP	TEAM
71.	To what degree were the basic assumptions of the project design valid and how did they affect project implementation?	IDMS	
72.	What changes in the design of the project would have increased the effectiveness, efficiency, impact and sustainability of the project?	IDMS	
73.	Should USAID continue to support agricultural exporters through FPX? What questions or concerns should be considered in the design of a new project?	IDMS	
74.	Should USAID pursue the idea of combining the two institutions (FHIA and FPX)? What are the advantages? What are the disadvantages?	IDMS	
75.	Would a merger between FPX and FHIA improve the quality and applicability of their research and marketing support services? What organizational changes and structure would be required?	IDMS	TEAM
76.	What potential cost efficiencies in the utilization of infrastructure, staff support services, training resources, etc. would result from a merger of FPX and FHIA?	IDMS	FAS
77.	What steps would be required to merge FHIA and FPX into one organization?	IDMS	
78.	If FHIA and FPX were merged, what should be done with FPX's investments?	IDMS	FAS
	ARTICLE IV – DELIVERABLES AND REPORTS:		
79.	a. Within three working days, the COP will present a work plan to USAID showing the duties of each team member, estimated travel schedule and dates of presentation of reports.	COP	TEAM
80.	b. Each team member will submit a draft report of their activities with findings, conclusions, recommendations and lessons learned.	TEAM	

Note: RS = Research Specialist; COP = Chief of Party; IDMS = Institutional Development and Management Specialist; CTS = Communications and Training Specialist; EC = Economist; MIS = Marketing Information Specialist; FAS = Finance and Accounting Specialist; Team= All members

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Table 3

LOGICAL FRAMEWORK - EXPORT DEVELOPMENT AND SERVICES

Narrative	Objectively Verifiable Indicators	Means of verification	Important Assumptions
<u>Goal:</u> Promote economic growth and employment	\$30 million increase in GDP 10,000 jobs created through project by 1990	Central Bank statistics CONSUPLANE estimates mission calculations	Improved political climate in the region
<u>Purpose:</u> Increase nontraditional exports	Policy environment favors exports. Export instit. capability estab. \$53 million in value added from Project aided exports by 1990. Adequate financial services available to exporters.	Implementing agency records Evaluation which obtains data needed from beneficiaries	New Tariff System does not eliminate incentives for exports developed through project.
<u>Outputs:</u> 1. Exports from labor int. indus./farm, wood prod. 2. Agricultural exports 3. Trust fund for exports	\$43 million in sales in 1990 \$26 million in sales in 1990 \$73 in dollar resources	Implementing Agency records Project files Project evaluations	Commodity prices do not decrease below production costs on a sustained basis
<u>Inputs (\$ millions)/source:</u>			

	<u>AID</u>		<u>GOH</u>	<u>Private Sector</u>	USAID Controllers Office records FIDE, FEPROEXAAH	Private Sector contributes as expected to its associations
	<u>Grant</u>	<u>Loan</u>				
Export policy and prod.	0.5	0.9	0.9			
Export development	5.6	5.1	1.6	3.1		
Financial Services	0.2	10.0		2.5		
<u>AID Project Management</u>	<u>1.2</u>	<u>0</u>	<u>0</u>	<u>0</u>		
<u>TOTAL</u>	<u>7.5</u>	<u>16.0</u>	<u>2.5</u>	<u>5.6</u>		