

(BEFORE FILLING OUT THIS FORM, READ THE ATTACHED INSTRUCTIONS)

IDENTIFICATION DATA

<p>A. REPORTING A.I.D. UNIT: <u>USAID/Guatemala</u> (Mission or AID/W Office) (ES# 88-06)</p>	<p>B. WAS EVALUATION SCHEDULED IN CURRENT FY ANNUAL EVALUATION PLAN? yes <input type="checkbox"/> slipped <input type="checkbox"/> ad hoc <input type="checkbox"/> Eval. Plan Submission Date: FY <u>87</u> <input checked="" type="checkbox"/> 1</p>	<p>C. EVALUATION TIMING Interim <input type="checkbox"/> final <input checked="" type="checkbox"/> ex post <input type="checkbox"/> other <input type="checkbox"/> PD-AAZ-250 ISA 6/1/87</p>												
<p>D. ACTIVITY OR ACTIVITIES EVALUATED (List the following information for project(s) or program(s) evaluated; If not applicable, list title and date of the evaluation report)</p> <table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="width: 15%;">Project #</th> <th style="width: 45%;">Project/Program Title (or title & date of evaluation report)</th> <th style="width: 10%;">First PROAG or equivalent (FY)</th> <th style="width: 10%;">Most recent PACD (mo/yr)</th> <th style="width: 10%;">Planned LOP Cost ('000)</th> <th style="width: 10%;">Amount Obligated to Date ('000)</th> </tr> </thead> <tbody> <tr> <td>520-0238</td> <td>Small Farmer Marketing October 1986</td> <td>1977</td> <td>12/31/86</td> <td>4,200</td> <td>4,200</td> </tr> </tbody> </table>			Project #	Project/Program Title (or title & date of evaluation report)	First PROAG or equivalent (FY)	Most recent PACD (mo/yr)	Planned LOP Cost ('000)	Amount Obligated to Date ('000)	520-0238	Small Farmer Marketing October 1986	1977	12/31/86	4,200	4,200
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520-0238	Small Farmer Marketing October 1986	1977	12/31/86	4,200	4,200									

ACTIONS

E. ACTION DECISIONS APPROVED BY MISSION OR AID/W OFFICE DIRECTOR	Name of officer responsible for Action	Date Action to be Completed
<p style="text-align: center;">Action(s) Required</p> <p>1. Continue marketing assistance to small farmers through Agribusiness Project.</p>	Mission Director	Completed
<p>2. Monitor Grenial's Market Development Program.</p>	ORD	Ongoing
<p>3. Work to streamline Financial institutions serving the Agricultural sector; examine possibilities of developing mechanisms to provide small and medium size farmers with credit.</p>	ORD/PED	Ongoing

(Attach extra sheet if necessary)

APPROVALS

F. DATE OF MISSION OR AID/W OFFICE REVIEW OF EVALUATION: mo 2 day 15 yr 87

G. APPROVALS OF EVALUATION SUMMARY AND ACTION DECISIONS:

<p>Project/Program Officer</p> <p><i>Thomas C. Ivers</i></p> <p>Signature Typed Name Date: <u>5/5/89</u></p>	<p>Representative of Borrower/Grantee</p> <p><i>Ing. Lucia Rivas</i></p> <p>Min. de Agricultura Date: <u>5/5/89</u></p>	<p>Evaluation Officer</p> <p><i>Thomas Kelleman</i></p> <p>Date: <u>5-8-89</u></p>	<p>Mission or AID/W Office Director</p> <p><i>Anthony J. Carterucci</i></p> <p>Date: <u>5/11/89</u></p>
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The Project was begun in 1978 and reprogrammed in 1984. This final evaluation, carried out in October 1986, was intended to: 1) determine the economic and social impact on the four small farmer cooperatives involved, 2) evaluate the economic impact of loans provided to four private firms for processing and marketing vegetables, and 3) determine the institutional participation in project implementation and its effect.

The evaluation was carried out by a five person team, composed of two U.S. and three Guatemalan personnel, over a two week period. Previous studies, evaluations and reports were reviewed and interviews subsequently held with persons involved in the project. In addition, extensive data were collected from managers of selected firms, both private and cooperative, as well as DIGESA personnel in the regions served by these firms. Also, a sample of farmers was interviewed by the team.

The major findings and conclusions of the evaluation were:

- * The reprogramming of the Small Farmer Marketing Project in 1984 was timely and turned an unsuccessful project into one that was relatively successful.
- * Loans to private sector firms have been fully utilized, and most of the firms receiving USAID funds through private financieras appear to be operating successfully.
- * The project has had a net positive impact on women and children.
- * Previous management and administrative assistance provided by the Swiss and other donors and the later assistance provided by USAID to Cuatro Pinos and Magdalena cooperatives has been instrumental to the success of these groups.
- * The lack of good management has affected one of the private businesses and two of the cooperatives. Further management training is needed.
- * The movement of funds from the lending agencies to the cooperatives was unacceptably slow. Private firms also have suffered inordinate delays in meeting lending agencies' requirements.
- * Investments in technical assistance have yielded exceptionally high returns. A better balance between TA and capital assistance would have been desirable.
- * Cooperatives are performing numerous functions which should be provided by other institutions, especially early in the life of the cooperatives.
- * The Coordinating Committee is not functioning as intended, and USAID has had to play an inordinately strong role in the project oversight.
- * The degree of market access for Guatemalan non-traditional exports is much too narrow. Expansion of market penetration efforts is badly needed.
- * The project has made a substantial contribution to the USAID strategy for Guatemala. The other continuing USAID projects should ensure that the progress made to date will continue.

ABSTRACT

I. EVALUATION COSTS

1. Evaluation Team		Contract Number <u>OR</u> TDY Person Days	Contract Cost <u>OR</u> TDY Cost (US\$)	Source of Funds
Name	Affiliation			
Melvin G. Blase	Texas Tech University	LAC-0000.1-0-	28,500	PD&S
C. Kenneth Laurent	Texas Tech University	3046-00		

2 Local Hire
Specialists

2. Mission/Office Professional
Staff Person-Days (estimate) 4

3. Borrower/Grantee Professional
Staff Person-Days (estimate) 4

3333

A.I.D. EVALUATION SUMMARY PART II

J. SUMMARY OF EVALUATION FINDINGS, CONCLUSIONS AND RECOMMENDATIONS (Try not to exceed the 3 pages provided)
Address the following items:

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

Mission or Office: USAID/Guatemala

Date this summary prepared: 2/7/89

Title and Date of Full Evaluation Report: An Evaluation of Project 520-0238, Small Farmer Marketing; October 1986.

1. An evaluation of the Small Farmer Marketing Project (520-0238) was made during the period October 7-31, 1986. The project was originally begun in 1979 and was reprogrammed in May, 1984. The project ended on December 31, 1986.

2. The purposes of the evaluation were to:

- a. Determine the economic and social impact on the four cooperatives involved - Cuatro Pinos, Magdalena, Los Manzaneros and Flor Patzunera.
- b. Evaluate the economic impact of loans provided to four private sector firms for processing and marketing vegetables; and
- c. Determine institutional participation in project implementation and effect.

3. The methodology included a review of the scope of work with USAID officials, review of all relevant reports and documents, interviews with knowledgeable persons, visits to three of the cooperatives and the four private firms, collection of data over a two week period from farmers and others by three Guatemalans, and finally a review of this report with USAID officials.

4. The amended project provided US\$2.3 million in USAID loan and Q.8 million of grant funds for the cooperatives and US\$1.1 million in USAID loan funds to the private sector for fruit and vegetable processing and marketing.

5. As of the date of the evaluation, the Banco Nacional de Desarrollo (BANDESA) had authorized loans from USAID funds to the cooperatives as follows:

Cuatro Pinos	Q. 678,140 ^{1/}
Magdalena	644,771
Los Manzaneros	171,000
Flor Patzunera	none

The Bank of Guatemala had authorized USAID loans funds to two private financieras which, in turn, made loan commitments to private sector firms as follows:

Verdufrex	\$ 500,000
CIUSA	485,000
Gato Gordo	75,000
Susano F. Reyes	35,700

^{1/} The official rate of exchange during the life of the loan was US\$1.00 = Q.1.00.

6. Background information was obtained on each of the four cooperatives and an analysis made of: 1) their present status; and 2) the use being made of the funds provided by USAID. Also, the interviews conducted by the Guatemalan personnel provided an insight into the effect the cooperatives were having on the socio-economic well being of farmers and their families.

7. Interviews were conducted with owners or officials of the four private firms receiving USAID loan funds. The interviews included questions as to the use of the loan funds, effect on the firms' output, the effect on exports, and information on the impact of the firms' operations on the small and medium size farmers providing the raw products to the plants.

8. USAID Loan funds were channeled through BANDESA (cooperatives) and the Bank of Guatemala to the private financieras which, in turn, loaned to private firms for processing and marketing. BANDESA's credit application process, feasibility analysis requirements, regulations, disbursement and implementation processes were analyzed. The evaluation revealed wide-spread discontent over BANDESA's handling of loans to cooperatives.

9. Loans to the private sector by the private financieras were either fully or partially disbursed, and the funds that had been disbursed had been utilized to improve and expand operations of the four private firms at the time this evaluation was made. However, this apparent rapid movement of funds concealed the fact that some of the private firms had been working on the loans for a considerable period before they became available to the financieras. Also, the loan guarantees were very stringent and burdensome to the borrowers.

10. The cooperatives, with the exception of Flor Patzunera, received considerable institutional support from USAID, the Ministry of Agriculture, and, especially prior to the reprogramming in 1984, the Swiss. The support provided by USAID in financing audits, preparation of accounting and administrative guidelines, and supporting salaries of the managers of three of the cooperatives has been crucial to the cooperatives.

11. A Coordinating Committee was formed as the primary administrative unit of the project. It consisted of representatives of USAID, USPADA and BANDESA. The Committee functioned mainly because of USAID's leadership. The participation from USPADA and BANDESA was irregular due to personnel changes that disrupted the continuity of input from these agencies.

12. The Ministry of Agriculture, Livestock and Food's input into the project was primarily through its representation on the Coordinating Committee (through USPADA). It participated in all matters concerning the project and its role was crucial.

13. The Project has had a direct impact on women and children. On the one hand, the increased incomes derived from the production of vegetables for export has led to improvements in household amenities, health care, and length of schooling for children. On the other, women are now working more at home and with the vegetable crops, while they carry goods for sale in markets less than before. As a result, their sphere of social relationships has narrowed. Children are often used in harvesting vegetables and are required for this task even though they should be in school. Some communities are considering changing the school hours to accommodate this need.

14. The End of Project Status for a number of factors show that, on balance, the cooperatives have met the goals set. However, this has occurred despite the fact that capital assistance provided by the reprogrammed USAID loan will not be forthcoming until the project has almost terminated. This indicates that the cooperatives are benefiting from pre-assistance from USAID, the Swiss and other donors, and that they are riding a wave of change taking place in a number of places in the Highlands.

15. The conclusions of the evaluation were:

- a. The reprogramming of the Small Farmer Marketing Project was timely and turned an unsuccessful project into one that has more than an even chance for success.
- b. The decision to incorporate private sector firms into the project appears to have been a wise one. Most of the firms receiving USAID funds through private financieras have utilized these funds and appear to be operating successfully.
- c. The project has had a net positive impact on women and children.
- d. The early aid from the Swiss and other donors, and the later assistance given by USAID in management and administration of Cuatro Pinos and Magdalena has been instrumental to the success thus far of these cooperatives.
- e. The lack of good management has affected one of the private businesses and two of the cooperatives. Training in this area is badly needed.
- f. The movement of funds from lending agencies to cooperatives has been unacceptably slow. Private firms also have experienced delays and frustrations in meeting all the "requirements" of lending agencies before receiving funds.
- g. Investments in technical assistance have yielded exceptionally high returns. A better balance between it and capital assistance would have been desirable.
- h. Cooperatives are performing numerous functions which should be provided by other institutions, especially early in the life of the cooperatives.
- i. The Coordinating Committee is not functioning as intended, and USAID has had to play an inordinately strong role in the Project oversight.
- j. The degree of market access for Guatemalan non-traditional exports is much too narrow. Expansion of market penetration efforts is badly needed. The degree of effort by the Gremial in this respect should be closely monitored by USAID.
- k. The project has made a substantial contribution to the USAID strategy for Guatemala. The other continuing USAID projects -Agribusiness, Crop Diversification, Highland Agricultural Development, and Cooperative strengthening- should ensure that the progress made to date will continue.

16. The Project evaluation revealed several "lessons learned" that could be useful in developing similar projects in the future.

- a. Projects unable to reach interim objectives should not be allowed to continue in the same direction and, if possible, should be reprogrammed. This project is an example of successful reprogramming.
- b. Technical assistance should precede capital assistance by several years. The fact that both Cuatro Pinos and Magdalena were developed as cooperatives after several years of technical assistance by the Swiss, no doubt contributed to the level of development these cooperatives have reached.

J. Summary of Evaluation Findings,
Conclusions and Recommendations
(Contnd.)

- c. Production and marketing systems must expand at a similar rate. Both should be monitored closely to anticipate and eliminate potential bottlenecks before they occur.
- d. It should not be assumed that financial institutions will function either efficiently or quickly. Allowances should be made for delays beyond what one would expect in more developed countries.
- e. Management is the "Achilles heel" in both private firms and cooperatives. There is no substitute for good management. Every effort should be made to upgrade and train management personnel as soon as possible, preferably before starting up the enterprise. Also, the breadth of management expertise needs to be expanded since the loss of a manager can cripple an otherwise successful operation.

17. The recommendations of the evaluation team were:

- a. The thrust of the Small Farmer Marketing Project should be continued. This can be done through the Agribusiness Project, both for cooperatives and private business firms. The Gremial's program of market development should be closely monitored to ensure that the "market window" is opened as wide as possible. Past efforts in this respect have often lacked the professional skills required, or the effort was of too short a duration.
- b. Efforts to streamline the financial institutions serving the agricultural sector should be initiated immediately. The whole question of agricultural credits, especially those related to cooperatives, should be examined to determine if it is possible to develop mechanisms to provide small and medium size farmers with credit and have this credit repaid at an acceptable level.
- c. Annual audits by outside auditors (other than INACOP personnel) should be required for each cooperative receiving assistance under any USAID project. This should be done routinely and funded by one or more of the USAID projects involved. Annual audits should be required of private firms receiving substantial assistance from USAID financed loans as well.

with this Evaluation Summary; always attach copy of full
evaluation report, even if one was submitted earlier)

EVALUATION REPORT

L. COMMENTS BY MISSION, AID/W OFFICE AND BORROWER/GRANTEE

The evaluation fulfilled the requirements of the Scope of Work. The USAID Mission and the implementing organizations concur in the findings of the evaluation (with the exception of recommendation c.), and are committed to implementing the recommendations. While the Mission agrees that management audits are appropriate, it would be too expensive to require an outside audit of cooperatives and small firms on a yearly basis.

ISA 61131

U. S. AGENCY FOR INTERNATIONAL DEVELOPMENT

UNIVERSITY FACULTY ASSOCIATES

GUATEMALA CITY, GUATEMALA

BY

MELVIN G. BLASE

and

C. KENNETH LAURENT,

Team Leader

Office of Rural Development:
Report No.

AN EVALUATION OF PROJECT 520-0238
SMALL FARMER MARKETING

October 1986

I. EXECUTIVE SUMMARY

- A. An evaluation of the Small Farmer Marketing Project (520-0238) was made during the period October 7-31, 1986. The project was originally begun in 1979 and was reprogrammed in May, 1984. The project is scheduled to end December 31, 1986.
- B. The purposes of the evaluation are to:
1. Determine the economic and social impact of the four cooperatives involved - Cuatro Pinos, Magdalena, Los Panzaneros and Flor Patzunera.
 2. Evaluate the economic impact of loans provided to four private sector firms for processing and marketing vegetables, and
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- C. The methodology included a review of the scope of work with USAID officials, review of all relevant reports and documents, interviews with knowledgeable persons, visits to three of the cooperatives and the four private firms, collection of data over a two week period from farmers and others by three Guatemalans, and finally a review of this report with USAID officials. (The surveys made by the Guatemalans are included as appendices at the end of this report).
- D. The amended project provided US\$1.88 million in USAID loan funds and Q800,000 of Government of Guatemala funds for the cooperatives and US\$1.1 million in USAID loan funds to the private sector for fruit and vegetable processing and marketing.

- E. As of the date of this evaluation, the Banco Nacional de Desarrollo (BANDESA) had authorized loans from USAID funds to the cooperatives as follows:

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- K. A Coordinating Committee was formed as the primary administrative unit of the project. It consists of representatives of USAID, USPADA and BANDESA. The Committee has functioned mainly because of USAID's leadership. The participation from USPADA and BANDESA has been irregular due to personnel changes that disrupted the continuity of input from these agencies.
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- M. The Project has had a direct impact on women and children. On the one hand, the increased incomes derived from the production of vegetables for export has led to improvements in household amenities, health care, and length of schooling for children. On the other, women are now working more at home and with the vegetable crops, while they carry goods for sale in markets less than before. As a result, their sphere of social relationships has narrowed. Children are often used in harvesting vegetables and are required for this task even though they should be in school. Some communities are considering changing the school hours to accommodate this need.
- N. The End of Project Status for a number of factors show that, on balance, the cooperatives have met the goals set. However, this has occurred despite the fact that capital assistance provided by the reprogrammed USAID loan will not be forthcoming until the project has almost terminated. This indicates that the cooperatives are benefiting from pre-assistance from USAID, the Swiss and other donors, and that they are riding a wave of change taking place in a number of places in the Highlands.
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 2. The decision to incorporate private sector firms into the project appears to have been a wise one. Most of the firms receiving USAID funds through private financieras have utilized these funds and appear to be operating successfully.
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10. The degree of market access for Guatemalan non-traditional exports is much too narrow. Expansion of market penetration efforts is badly needed. The degree of effort by the Gremial in this respect should be closely monitored by USAID.
11. The project has made a substantial contribution to the USAID strategy for Guatemala. The other continuing USAID projects - Agribusiness, Crop Diversification, Highland Agricultural Development, and Cooperative Strengthening - should ensure that the progress made to date will continue.

- P. USAID desires to monitor the socio-economic changes that are occurring in some of the project areas. Adequate data are not currently available to do this, therefore, a baseline study will be required. Suggestions for undertaking such a study are included in the appendices of the evaluation report.
- Q. The Project evaluation revealed several "lessons learned" that could be useful in developing similar projects in the future.
1. Projects unable to reach interim objectives should not be allowed to continue in the same direction and, if possible, be reprogrammed. This project is an example of successful reprogramming.
 2. Technical assistance should precede capital assistance by several years. The fact that both Cuatro Pinos and Magdalena were developed as cooperatives after several years of technical assistance by the Swiss, no doubt contributed to the level of development these cooperatives have reached.
 3. Production and marketing systems must expand at a similar rate. Both should be monitored closely to anticipate and eliminate potential bottlenecks before they occur.
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R. The recommendations of the evaluation team are:

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