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**EVALUATION OF TECHNOSERVE ACTIVITIES
UNDER COOPERATIVE AGREEMENT
NO. 519-0312-7-00-6376-00**

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EXECUTIVE SUMMARY

Project Purpose and Development Objectives

The purpose of Project No. 519-0312 is to increase rural employment, income, and production through the development of self-help enterprises and to strengthen local institutions which service these enterprises. More specifically, the objective of this project is to convert a target group of large collective agricultural cooperatives characterized by moderate to serious management and/or production problems into profitable, self-sustaining, self-managed enterprises. Most cooperatives in the target group were created in 1980 under Phase I of the Salvadoran agrarian reform.

Purpose of the Evaluation and Methodology Used

This external evaluation was undertaken to appraise progress in implementing the project, to identify elements constraining its successful execution, and to report lessons learned about the methodology used by Technoserve, Inc. (TNS), the project contractor. Initiated in May 1986, the project is now midway into its fourth and final year of scheduled activities. The evaluation results are to be considered by USAID/El Salvador and Technoserve in the design of future assistance to the agricultural sector.

The evaluation was carried out in El Salvador during the period October 12 through November 4, 1989 by a three-person contract team. All team members had extensive experience in Latin America. Each also had agricultural and/or cooperative and agrarian reform experience in El Salvador, totalling over ten years in all. The study methodology involved research of project-related documentation, field visits to representative cooperatives and enterprises, interviews in the related institutions, assessment of the TNS methodology, and analysis and comparison of production and financial data on the project assisted cooperatives with the available related data on the reformed sector and the agricultural sector at large.

Major Findings and Conclusions

- Measurement of project implementation progress in terms of achievement of the scheduled output indicators shows that nine of the 12 targets have already been met or exceeded. Timely completion of the three remaining targets appears very feasible within the six months left in the current project term.
- The attempt to quantify and describe progress at the project purpose level at this point in the project's development proved somewhat premature because the 1987 drought adversely skewed the data base, because "problem" enterprises take extra time to get back on track, and because many of the crops involved require two to five years to reach production maturity.

Best available data, drawn primarily from a sample of eleven project assisted cooperatives for the 1986/87, 1987/88, and 1988/89 crop years, indicate that very good production and yield increases are being achieved, and that there have been substantial increases in employment and income. The same data base, with some exceptions, also strongly suggests that a significant part of the employment and income gains may well have been achieved at a cost of increased net losses and declining net worth. Clearly this issue bears further investigation.

- The Technoserve approach to enterprise development, as it is applied to cooperatives receiving long-term assistance, is a highly participatory process that is tailored to the particular needs of each cooperative and involves important groups of beneficiaries in each stage of project investigation, planning, implementation, monitoring, and evaluation. It also shows concern for the social parameters involved, and for the training and use of community-level paratechnicians. There is broad consensus - which is shared by the evaluation team - that the TNS approach to project assistance and training is uniquely appropriate and critically needed if a significant portion of the Phase I cooperative structure is to be retained. Clearly the TNS staff represents an outstanding resource that is representative of the nation's best technicians and professionals, and there is a growing body of successful results. There are insufficient data on which to base a firm prognosis of the effectiveness of the TNS approach within a given time frame. It is the team's best judgment, however, that two-thirds of the target cooperatives could be successfully "graduated" after three to four years of continuous or integral assistance.
- The overriding constraints to the successful conversion of the target group of cooperatives into self-managed, self-sustaining agricultural enterprises - given reasonable markets, weather, and access to credit - are largely at the cooperative level. These constraints are complex and deeply rooted. The targeted beneficiaries come from one of the most disadvantaged groups in El Salvador, with extremely low levels of education, correspondingly high illiteracy rates, and a long history of exploitation. Suspicion and distrust of strangers and government officials are prevalent. These factors are compounded by continuing uncertainties about prospects for the national program of agrarian reform. Will it continue? Will there be changes? How will the current beneficiaries be affected? All of these issues impact to varying degrees on each of the intended beneficiaries, and collectively on each of the target group cooperatives.

Principal Recommendations

- If policy and program objectives place high priority on retaining a significant number of viable Phase I cooperatives over the short and medium term, USAID should give serious consideration to a major expansion of the current project for a minimum of eight to ten additional years.

- If the above task is to be addressed, a part of the current assistance package should be shared by the banking industry, perhaps by DIVAGRO and the Ministry of Agriculture, and ultimately by a secondary level cooperative or federation.
- The need for three special activities related to the current project should be noted:
 - a. USAID should undertake or contract for an independent analysis of profitability and net worth trends in those Phase I cooperatives which have received at least two years of integral project assistance.
 - b. Technoserve should be requested to review current regulations governing eligibility and terms of office for cooperative officials and recommend to USAID any desired changes to preclude excessive turnover rates.
 - c. USAID and Technoserve should investigate with PERA the possibility of generating a broader production and financial data base on all Phase I cooperatives to facilitate comparison with project results.

Lessons Learned

- In the identification and diagnosis of a cooperative's problems, and the planning of solutions, it is essential that there be active participation of the membership and that full consideration be given to both social and economic parameters.
- Project assistance must identify strongly with the perceived needs of the cooperative members and the success of the organization as a business enterprise.
- Probably the most important key to the success of the Phase I segment of the agrarian reform program lies in the quantity and quality of the training and technical assistance that effectively reach the affected campesinos.
- Projects of this nature - involving a constantly changing matrix of recipient groups, as well as changing political, social, and economic parameters - should be evaluated on a frequent basis by the implementing organization in order to achieve and maintain a high level of target focus and project effectiveness.
- There also is a special need in projects of this nature, which can have important social and political impacts, to adequately keep informed the related policy making institutions - in this case the Ministry of Agriculture and the agrarian reform agency.

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I. INTRODUCTION AND BACKGROUND

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A. Introduction

1. Project Purpose and Background

The purpose of Project No. 519-0312 is to increase rural employment, income, and production, through the development of self-help enterprises and assistance to strengthen local institutions which service these enterprises. More specifically, project activities are to emphasize the strengthening of the Phase I cooperatives created almost ten years ago under El Salvador's agrarian reform, and, to a lesser degree, the traditional cooperatives.

The project began May 28, 1986 and is currently scheduled for completion on March 31, 1990. The estimated cost in A.I.D. funds is US\$ 5,320,000. The project activities are being implemented under a cooperative agreement between USAID/El Salvador and Technoserve, Inc.

Active in El Salvador since 1975, Technoserve (TNS) is a private, non-profit organization which focuses its contribution to the economic and social improvement of low-income people on fostering the development of small and medium scale enterprises. Its experience in El Salvador, consistent with its efforts elsewhere in Latin America, has been directed primarily at the development and improvement of rural enterprises and agricultural cooperatives. From 1978 through 1986, Technoserve also received A.I.D. support through two operational program grants (OPG Nos. 519-0197 and 519-0286).

The purpose of this study and evaluation is to appraise progress in implementing the current project, identify elements constraining its successful execution, and report lessons learned about the methodology used by Technoserve.

2. Specific Program Objectives

Primary Phase

During the period May 28, 1986 to August 1988, Technoserve's efforts and objectives under its cooperative agreement were to be directed to five principal program areas:

- On-Going and New Assistance for Phase I Cooperatives

Assistance was to be provided to 11 ongoing projects with Phase I cooperatives in the areas of farm management, accounting, and agricultural production. Eleven newly selected cooperatives would also receive this type of assistance. Specific enterprises being developed by Technoserve client cooperatives included coffee milling, henequen production and decortication, dairying, beef cattle, basic grains, and vegetable production.

- Cooperative Enterprises Outside the Reform Sector

Technoserve was to continue assisting three cooperatives in the traditional sector created prior to the agrarian reform. New cooperatives and enterprises were to be added as the enterprises currently being assisted became sufficiently well established to continue without further technical and management assistance.

- Support to the Salvadoran Federation of Cooperatives of the Agrarian Reform (FESACORA)

Technoserve was to assist FESACORA in: training the board of directors and federation officers, as well as officials from member cooperatives; identifying training requirements; developing FESACORA's working relationship with financial institutions to facilitate timely credit delivery to member cooperatives; participating in the ISTA-initiated program designed to place qualified managers and accountants on all Phase I farms; and finally, becoming a financially viable institution.

- Assistance to GOES and Private Sector Institutions

Technoserve was to reinforce its relations with other institutions, both public and private, working in cooperative and enterprise development. Public sector entities to be assisted included the Agrarian Reform Institute (ISTA), the Ministry of Planning, the banking system, and the Ministry of Agriculture (MAG). In addition to regularly held meetings and work sessions at the regional, zonal and cooperative levels, a minimum of six policy level meetings with senior officials were planned for each year of the project. Technoserve was to participate in at least two seminars per year in the area of cooperative and enterprise development.

- Technoserve/MAG Linkage

The linkage between Technoserve and the Ministry of Agriculture's technical assistance program was to be strengthened in order to promote replicability of Technoserve's methods and techniques, to the extent practicable and affordable. Funding for this was made available through the Agrarian Reform Sector Support Project (519-0265).

Second Phase

On August 11, 1988, the Cooperative Agreement was amended to: (1) extend the Project Assistance Completion Date from September 30, 1988 to March 31, 1990; (2) increase A.I.D. funding for the project; and (3) revise the "Program Description" to reflect the activities to be carried out between September 30, 1988, and March 31, 1990.

Without modifying the purpose of the project or the general methodology used by Technoserve, this amendment changed program objectives in the following ways: (1) discontinuing institutional strengthening

support to FESACORA; (2) reducing technical assistance to GOES and private sector institutions; (3) limiting support for linkages with the Ministry of Agriculture; and (4) assisting cooperatives to meet the requirements of export-oriented agribusinesses.

B. Social, Political and Economic Setting

Agriculture currently provides approximately 30 percent of El Salvador's GDP, 75 percent of its foreign exchange earnings, and 50 percent of its employment. Foreign exchange earnings from the sector (largely coffee, cotton, and sugarcane) traditionally have financed much of El Salvador's economic development, while taxes on coffee, the country's primary agricultural commodity, continue to constitute a major source of public revenues. It is commonly considered that the quality of life for two thirds of the nation is strongly predicated upon the state of economic affairs in the agricultural sector.

The land distribution pattern in El Salvador historically has been among the most inequitable in the Western Hemisphere. As the pressure for change grew during the 1970's, access to the land was recognized as a critical constraint to social, economic and political progress. One of the first, and perhaps the most controversial, actions of the new government in 1979 was the sweeping agrarian reform. To date, the reform has redistributed about 25 percent of the farmland in El Salvador to former rural laborers, renters and sharecroppers.

Phase I of the agrarian reform program was launched in 1980 and affected approximately 469 properties pertaining to landholdings greater than 500 hectares. These properties, predominately in coffee, cotton, sugarcane and cattle production, were essentially converted overnight into collective production cooperatives. Under this model, the cooperative is the owner/operator of the land and infrastructure, and the former laborers as a group manage the enterprise, provide all or a major share of the labor force utilized, and share in the income in accordance with the labor they have provided. Approximately 220,000 hectares were redistributed under Phase I to approximately 30,000 rural and farm families. The GOES has incurred very high costs in providing management, technical, and credit assistance to these cooperatives with what appear to be only mixed results to date.

A major limitation on cooperative self-management continues to be the high percentage of illiteracy found among the rural population. The continuing political instability and violence associated with current political and social unrest also tends to have a very adverse impact on the risks and uncertainty of all economic endeavors in most rural areas of the country.

C. Team Composition and Study Methodology

A three person team was utilized in the study and evaluation of this project. It consisted of J. Robert Moffett, Team Leader and Agribusiness Specialist; Howard H. Harper, Agricultural Specialist; and Paul

Prentice, Cooperative Development Specialist. The team's activities were carried out in El Salvador between October 12 and November 4, 1989. The Team Leader remained in-country through November 6 for a final review of the draft report and its recommendations with USAID and Technoserve staff.

Each member of the team had extensive experience in Latin America. Each also had agricultural and/or cooperative and agrarian reform experience in El Salvador, totalling over ten years. Mr. Moffett was Chief of RDO USAID/ES from 1977 to 1979 with short term assignments in 1980-1981. Mr. Harper served as a USAID/ES long term contract advisor on agrarian reform from 1982 to 1984, and had been Production Supervisor for the British American Tobacco Company in El Salvador between 1951 and 1954. Mr. Prentice completed several short term assignments in El Salvador on studies involving the agrarian reform agency, agricultural cooperatives and related institutions from 1984 to 1989.

The evaluation team's investigations were guided primarily by the six principal study questions or concerns more fully outlined in Section IV of the Statement of Work from the IQC Work Order covering this evaluation activity (see Appendix A). These can be summarized as follows:

- (1) List all targets and activities, assess progress toward achieving targeted outputs and activities, and note problems encountered in reaching the targets.
- (2) Quantify and describe the progress made by cooperatives assisted by Technoserve in terms of increases in production, yields, employment, income, profits and net worth.
- (3) Assess the effectiveness of Technoserve's methodology in bringing about self-sustaining improvements in the organization and management of cooperatives.
- (4) Assess the impact of Technoserve's assistance to improve FESACORA's capability to service affiliated cooperatives, to strengthen its relations with public and private institutions and to replicate its methods and techniques.
- (5) Determine the extent to which the recommendations from the previous evaluation of this project have been carried out and the relative success of the modifications.
- (6) Assess the impact Technoserve has had on the overall agriculture sector, and on agro-exports.

The study methodology employed by the team involved:

- Project related documents research;

- Field visits to nine cooperatives and rural enterprises that had received or were currently receiving Technoserve assistance;
- Individual and group interviews with staff of Technoserve, USAID, ISTA, MAG, selected cooperatives, and other relevant institutions;
- Analysis and comparison of data on 11 Technoserve-assisted cooperatives, agrarian reform cooperatives as a whole, and the agricultural sector of El Salvador; and
- Analysis of Technoserve's methodology.

Appendix B contains a bibliography of the principal documentation researched. The principal individuals and agencies contacted by the team are listed in Appendix C, while summary notes on the cooperatives and rural enterprises visited are provided in Appendix D.

**II. FINDINGS: AN ASSESSMENT OF THE IMPLEMENTATION
PROCESS AND PROGRESS TO DATE**

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A. Developments at the Cooperative and Enterprise Level

1. Introduction

In an assessment of project developments and progress, especially as related to progress at the project purpose level, two important points should be noted. The first relates to the nature of the project's principal clientele and the second to the implicit nature of the related technical assistance.

Simply stated, the primary target group of this project consists not of the total universe of Phase I cooperatives, but rather of those with management and/or production problems which adversely affect their credit worthiness. The nature of Technoserve's services under this project is thus more comparable to that of a rehabilitation program than to a traditional technical assistance program.

The Salvadoran banking system utilizes a four-tiered classification system to establish the credit worthiness of the Phase I cooperatives. The highest classification, Category A, applies to cooperatives with demonstrated capabilities to manage both investment and production credits. A Category B cooperative is one with a problem either in management or production, while a Category C cooperative has problems in both the management and production areas. Category B and C clients are still eligible for consideration for both production and investment credits. Category D clients, on the other hand, are considered eligible only for short-term production credit due to the more serious magnitude of their problems. The distribution of the 300 plus Phase I cooperatives across this classification system will vary from time to time depending on various factors. Currently about one-third are in Category A, slightly more than a third in the combined grouping of categories B and C, and slightly less than a third in Category D.

Section B.5.a. below discusses the current selection criteria employed by Technoserve and indicates that the primary focus is on assistance to cooperatives in categories B and C. It is noteworthy, however, that the 11 cooperatives used in assessing progress on the project purpose in Section A.3 of this chapter were all Category C cooperatives at the time they were selected for this project.

2. Progress on Scheduled Output Targets

Technoserve's progress in implementing those output indicators related to the development of primary cooperatives and their supporting institutions, exclusive of FESACORA, is reflected in Table 1 below.

With six months remaining in the current term of the cooperative agreement, seven of the ten targets already have been achieved. The

remaining three appear to be on track and Technoserve anticipates their timely completion.

Table 1

PROJECTED TARGETS AND ACHIEVEMENTS TO DATE

Indicators	Projected 5/86-3/90	Realized By 7/89	Progress to 7/89 % of Target
Cooperatives Assisted	36	31	86
Coops w/Assistance Completed	17	11	65
Project Requests Investigated	48	43	90
Project Agreements Developed	64	74	116
Project Activities Analyzed	183	222	121
Project Plans Developed	133	144	108
Project Plans Implemented	98	85	87
Training Programs/Seminars Conducted	28	48	171
Activities w/Government Institutions	47	56	119
Activities w/Private Institutions	32	29	91

3. Progress on Project Purpose

This section of the evaluation addresses two fundamental issues. The first relates to progress which has been or is being achieved by the Technoserve-assisted cooperatives in such terms as production, yields, employment, income, profits and net worth. The second relates to how these changes compare with changes in the the agrarian reform sector and in the agricultural sector generally. Unfortunately, the available data base precluded the breadth of assessment and comparisons the team would have preferred to make. Although it was possible to make some comparisons on the yield data, data on the other parameters was largely limited to the cooperatives assisted by Technoserve.

It should also be noted that the 11 Technoserve-assisted cooperatives chosen for study either had recently "graduated" (completed a period of integral assistance) or had received a minimum of two years of integral assistance prior to the base year used in the analysis. In some cases, the size of this study group had to be reduced due to lack of data. Only five of the 11 cooperatives included in the analysis were among those visited by the evaluation team.

a. Production and Productivity

Since data constraints precluded meaningful comparative analysis of gross production trends, the decision was made to focus on comparing

trends in annual yields of three crops (rice, coffee, and sugarcane) produced at the national level, within the reform sector, and for the Technoserve study group. The results are shown below in Table 2. The reader, however, is urged to exercise caution in drawing conclusions from these data. The table is considered to be a reasonably correct reflection of the yields in the three different producer groups for the three crop years (1985/86, 1986/87, 1987-88) for which common data were available. It fails however, to reflect the annual changes in yields that the project is achieving with its respective participants; this particular measurement is camouflaged by the revolving nature of new entrants with low yields and "graduates" with improved yields. Nevertheless, the team has chosen to include this material because it provides insight to the interest of USAID and Technoserve in expanding the data collection system for monitoring of such developments.

Table 2

YIELDS FOR SELECTED CROPS AT THE NATIONAL LEVEL, WITHIN THE REFORM SECTOR, AND FOR TECHNOSERVE-ASSISTED COOPERATIVES

Year	Rice (QQ/MZ)			Coffee (QQ/MZ)			Sugarcane (Tons/MZ)		
	Nat'l	Ref	TNS	Nat'l	Ref	TNS	Nat'l	Ref	TNS
1982/83	48	36		15	19		60	58	
1983/84	52	53		12	14		64	62	
1984/85	63	55		15	18		57	59	
1985/86	61	45	39	11	12	9	59	65	65
1986/87	59	52	44	13	14	12	53	66	66
1987/88	55	50	50	12	14	12	50	59	54
1988/89	63		62	8		7	56		48

b. Employment Generation

Adequate data on employment were available for only nine cooperatives in the study group, as listed in Table 3 below. The 1988/89 total is probably understated because final data for Las Lajas are not available although this cooperative is still involved in the implementation of a new coffee processing plant as well as in field rehabilitation. The average annual growth rate for the period 1986/7 - 1988/9 was approximately 12 percent.

Field visits by the team, as well as interviews with other knowledgeable sources, support the proposition that Phase I cooperatives tend to harbor a considerable amount of redundant, or underemployed, labor. The project's technical assistance also goes to the heart of this issue and there are indications that it has succeeded to varying degrees. However, the frequency of turnover within the cooperatives' governing bodies reduces the likelihood that most of these labor rationalization improvements can become "institutionalized".

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Table 3

**TRENDS IN EMPLOYMENT GENERATION AMONG NINE SELECTED COOPERATIVES
WITH TNS INTEGRAL ASSISTANCE
1986/7 - 1988/89**
(in person-years of 260 workdays each)

Cooperative	1986/87	1987/88	1988/89
Amate de Campo	214	248	319
Las Lajas	547	1,047	1,047
La Magdalena	250	398	439
Miravalles	221	129	237
Nilo 1	25	51	66
Nilo 2	31	64	65
San Isidro	1,938	2,200	2,125
San Jose Miramar	218	239	181
Tonola	306	158	184
T O T A L S	3,750	4,534	4,663

c. Income Generation

Again restricted by the lack of time series and other data, the team selected a measurement described as "global family income" as an indicator of the project's impact on rural income. The measurement relates to income received by the cooperative's membership in the form of salaries, bonuses, and direct benefits (prestaciones) for health, housing, education, etc. when representing actual expenditures of the cooperative. Declared dividends, both distributed and undistributed, are also included.

To measure the changes, a base year and a control year were selected. The control year is either the year the assistance ended (for completed projects) or 1989 (for cooperatives still receiving assistance).

Table 4 below shows the changes in global family income for each cooperative in the study group. The average annual growth rate of about 6.5 percent understates the impact of the project on local income generation. It also represents a wide variety of conditions. Some coops were experiencing curtailed production while others were expanding; some were liberal with yearly bonuses; others, like La Magdalena, were implementing a strategy of administrative and labor cost controls.

Table 4

CHANGES IN GLOBAL FAMILY INCOME FOR SELECTED COOPERATIVES

Cooperative	Base Year (-----in colones-----)	Last Year	Variance
Amate de Campo	628636	705456	76820
Las Lajas	2019715	2532127	512412
La Magdalena	1537876	1109585	-428291
Las Victorias	281541	368490	86949
Miravalles	668156	738189	70033
Nilo 1	269824	267480	-2344
Nilo 2	212551	234297	21746
Plan de Amayo	362848	701755	338907
San Isidro	4714015	6626121	1912106
San Jose Miramar	512822	644292	131470
Tonola	792652	667615	-125037
T O T A L S	12000636	14595407	2594771

d. Profits and Losses at the Firm Level

Table 5 provides a three-year overview of the gross operating profits or losses for ten cooperatives in the study group. These figures represent the value of crop sales less the direct costs of production including inputs, labor, and interest on production credits. Las Lajas is not included because its 1988-89 accounting year does not terminate until December 31.

Six of the ten cooperatives show a positive trend, similar to that of the cumulative figures. This relatively positive image, however, begins to dissipate when account is taken of overhead expenses (Table 6) and firm profits prior to deductions for interest on old debts and land mortgage (deuda agraria) interest and amortization payments (Table 7). This latter system of reporting may appear unusual but came into use for tracking profitability during a period of only limited data on carry-over debts and little or no information on the deuda agraria. Since lack of information on the deuda agraria still impedes the accounting process for many coops, this tracking system remains a useful tool.

Table 5

**OPERATING PROFITS FOR 10 COOPERATIVES WITH TWO OR MORE
YEARS OF TECHNICAL ASSISTANCE, 1986/87 - 1988/89**

Cooperative	1986/87 (-----in colones-----)	1987/88	1988/89
Amate de Campo	155,778	192,361	476,222
Las Victorias	333,332	165,230	296,905
La Magdalena	1,629,333	736,796	667,085
Miravalles	(52,185)	71,973	110,453
Nilo 1	117,848	192,998	307,656
Nilo 2	226,754	215,507	146,686
Plan de Amayo	377,353	351,731	421,721
San Isidro	548,976	2,573,164	3,794,715
San Jose Miramar	272,460	(133,526)	985,565
Tonala	282,237	(178,996)	(77,767)
T O T A L S	3,891,885	4,187,238	7,129,241

Table 6

**OVERHEAD EXPENSES FOR TEN SELECTED COOPERATIVES
1986/87 - 1988/89**

Cooperative	1986/87 (-----in colones-----)	1987/88	1988/89
Amate de Campo	551,954	774,074	1,046,622
Las Victorias	145,988	181,707	215,371
La Magdalena	1,149,944	1,303,111	838,794
Miravalles	393,848	964,392	1,161,676
Nilo 1	325,546	330,513	287,644
Nilo 2	297,597	129,323	134,281
Plan de Amayo	295,521	326,024	531,458
San Isidro	302,537	2,540,226	3,796,168
San Jose Miramar	211,972	147,472	564,178
Tonala	396,262	384,383	454,939
T O T A L S	4,071,169	7,081,225	9,031,131

1/ Overhead includes administrative expenses, debt service (current and old), maintenance and repair costs.

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Table 7

**PROFITS WITHOUT INTERESTS ON OLD DEBT AND AMORTIZATION
OF LAND DEBT FOR TEN SELECTED COOPERATIVES
1986/87 - 1988/89**

Cooperative	1986/87	1987/88	1988/89
	(-----in colones-----)		
Amate de Campo	(189,780)	(280,595)	(181,039)
La Magdalena	479,389	(493,761)	(33,110)
Las Victorias	187,344	(16,477)	81,534
Miravalles	(132,194)	(400,423)	(549,950)
Nilo 1	(95,494)	(68,460)	111,378
Nilo 2	(58,246)	86,184	12,405
Plan de Amayo	81,831	25,707	(109,737)
San Isidro	246,439	32,938	(1,453)
San Jose Miramar	60,488	(224,610)	642,713
Tonala	(11,929)	(482,135)	(444,474)
T O T A L S	567,848	(1,821,632)	(472,733)

e. Changes in Net Worth

Table 8 shows changes in the net worth for all 11 cooperatives in the study group. Investigation into the very significant decreases reflected therein identified several contributing factors:

- Significant crop losses or reduced production due in large measure to the 1987 drought. Coffee also suffered significant wind damages in 1988;
- Debt service burdens related to outstanding balances on prior production loans and interest on the deuda agraria;
- High equipment maintenance and repair costs; and
- Social and economic benefits that appear to be at least questionable if not excessive.

Table 8

**NET WORTH CHANGES FOR 11 SELECTED COOPERATIVES
1986/87 - 1988/89**

Cooperative	1986/87	1987/88	1988/89
	(-----in colones-----)		
Amate de Campo	(2,460,050)	(3,212,584)	(3,918,726)
La Magdalena	(831,929)	(55,641)	(85,178)
Las Lajas	5,090,234	4,796,109	5,000,000e
Las Victorias	(346,315)	(266,739)	(260,618)
Miravalles	(3,233,667)	(3,944,486)	(4,988,396)
Nilo 1	(388,730)	(520,486)	(487,315)
Nilo 2	(29,000)e	247,446	47,000e
Plan de Amayo	772,314	718,514	618,797
San Isidro	2,569,531	2,205,179	850,598
San Jose Miramar	(425,337)	(1,039,676)	(1,643,678)
Tonala	(2,385,950)	(3,306,624)	(4,324,679)
T O T A L S	(1,668,899)	(4,378,988)	(9,121,195)

e = Estimated

4. Selected Observations

For a number of reasons the preceding assessment of progress at the project purpose level must be considered as a preliminary or premature assessment. The project is midway through its fourth year of implementation and "problem" cooperatives or enterprises routinely take extra time to be put back on track. Additionally, most of the crop or production lines involved tend to take from two years to as many as five years to approach maturity in yields. Many of the farms represented in the data base were also seriously affected by the 1987 drought. Moreover, in retrospect, the project's data collection system during much of this period was still at a rather infant stage of development.

Still there are some noteworthy examples of the impact the project has had on crop output at various cooperatives. Between 1986 and 1989 at Amate de Campo, milk output per cow doubled; sorghum and cotton yields increased by 67 percent and 33 percent, respectively; gross sales for the farm rose by 72 percent; and the cooperative's membership grew by 34 percent to address its expanding labor requirements. Milk production at Miravalles increased at comparable rates during this period, while at Plan de Amayo both rice and sugarcane yields were up by over one-third. Over this period plus one additional year, coffee yields at San Jose Miramar increased threefold.

Technoserve has been very active and successful in encouraging cooperatives to renovate marginal coffee plantings, renew old sugar cane fields, upgrade the quality of livestock, and otherwise bring about improved land and resource use. In many cooperatives, these programs are well underway and are increasing yields and generating more employment, production, and income. In others, the process is at different stages, sometimes for different reasons. The project was initiated with 11 cooperatives; 25 more have since been incorporated at different points in the project period.

From the national perspective, production by all Phase I cooperatives reportedly constitutes 15 percent of the gross domestic agricultural product. Currently, cooperatives in the project's target group probably account for about 40 percent of all output by Phase I cooperatives, or about five to six percent of the national output. While its contribution to national output is not particularly significant, cooperatives in the target group constitutes 40-45 percent of all cooperative farms created under Phase I of the agrarian reform, and the survival of at least two-thirds of these units is considered to depend on continued technical assistance and training equivalent to what is now being furnished by Technoserve.

Of the 125-150 cooperatives in the project's target group of Category B and C cooperatives, approximately 40 have received integral assistance since Technoserve initiated this type of program in El Salvador in the late 1970's. Although the data base for both groups is limited, comparison of yields achieved by current recipients of Technoserve assistance with yields of their unassisted counterparts shows significant productivity increases (30 percent or more) for cooperatives in the assisted group within a three to four year period.

With its current staff, Technoserve probably can provide integral assistance to no more than 25 cooperatives at one time. Rather than attempting to recruit and train additional staff, it may now be appropriate to consider turning over responsibility for some of the training and the more routine technical assistance to the banking industry and perhaps even to DIVAGRO. It is possible that the costs of such activities could be partially covered by an increase in the interest rate on related production and investment credits. In due course, assistance responsibilities could also be shared with a secondary level cooperative or federation.

B. An Assessment of Technoserve's Operational Methodology

1. General Scheme of Technical Assistance

In the 14 years since Technoserve initiated its program in El Salvador, the staff has grown from three people to a core staff of 44 plus 11 people in a special project called CLUSA-NCBA-Technoserve working on the promotion of non-traditional export crops. These 55 employees are all Salvadorans with specialized backgrounds and skills. The carefully recruited staff of Technoserve/El Salvador share a special mission to serve others. The staff has been meticulously trained in the Technoserve/U.S. philosophy and methodology adapted to El Salvador, designed to reach those who have been kept at the margin of developing societies. Extremely detailed guidelines and instructions have been prepared in the U.S., translated into Spanish, and used in El Salvador. Over time and with in-country modifications, the methodology has evolved as outlined below.

Preliminary Contact

The initial relationship with the prospective client begins with an informal request for Technoserve's services. This is followed by an initial evaluation of the group's operation by Technoserve staff. If the group qualifies for assistance (see criteria in B.5.a. below), a formal letter requesting assistance is required.

Preliminary Investigation and Auditing

After receiving the formal request for assistance, Technoserve discusses with the prospective client its working conditions, range of services offered, etc. Technoserve staff then conducts an analysis of the client's operation covering such factors as leadership, experience, credit situation, financial performance, level of commitment to the project idea, etc.

The judgment of the Project Selection Committee, formed by the Technoserve Country Program Director and key staff, is key in determining the nature of the assistance. The group is notified of the Committee's decision and steps are taken to formalize the first contract for an initial period of six months.

Diagnostic Stage

After signing the initial contract with the group, Technoserve carries out a complete diagnosis of the project/enterprise covering socio-economic as well as the legal, financial, and organizational aspects. At this stage, benchmark data are collected for monitoring and evaluation purposes. The group participates in the collection of this information. In the course of the diagnostic study, Technoserve frequently provides technical assistance in solving short term problems with which the beneficiary group requests immediate and direct advice. This Preliminary Report should contain necessary

information to guide development of this interim assistance.

Once the diagnostic study is completed, Technoserve prepares a document called "Concepto del Proyecto" and develops its projection of the additional technical assistance needed under contracts of from one to two years, depending on the complexity of the project.

Planning Stage

With the information gathered during the diagnostic stage, Technoserve and the group begin the planning stage. This stage comprises pre-feasibility studies, medium term operational plans, annual operational plans, financial studies, and systems design.

Implementation Stage

After signing a new contract (the Assistance Contract or Management Contract), Technoserve in conjunction with the group develops Implementation Chronograms which define and assign the responsibilities and actions to be taken within specified timeframes. Technology and planning skills transfer is an important aspect of this stage.

Follow-up Steps

A Follow-up Agreement has to be signed and the group starts making routine decisions. Continued training is based on the needs of the group. Assistance is directed to guiding activities as required and in accordance with the specific needs of the group.

The development of this process can take from 18 months to four or five years. The components of participation, training, and evaluation are a continuous process as set forth in the "Guia de Practica" in the areas of Promotion and Evaluation.

Process Objective

Technoserve programs and activities require continuing evaluation with participation of key cooperative leaders to insure that the work being done is effectively directed toward achievement of the organization's stated objectives. Technoserve's activities are focused on increasing the efficiency and earnings of the enterprise.

Classification of the Assistance

According to the scope or number of functions of the cooperative enterprise to be addressed in the proposed technical assistance, the assistance is classified as Integral or Partial. Integral Assistance is supposed to cover all or a majority of the enterprise functions of the assisted group. It is understood that these enterprise functions include:

- Land Management;

- Administrative/Accounting/General Management;
- Production;
- Marketing;
- Social Development.

With integral assistance, Technoserve has a better possibility of developing enterprises capable of sustained self-management.

Partial Assistance is usually of a short-term nature and covers only one or two of these enterprise functions. As a general rule, this assistance scheme gives Technoserve a very limited opportunity to help the recipient develop self-management capabilities.

2. Distribution of Project Assistance to Date

Table 9 on the next page aggregates information on the type of assistance received by each target cooperative or enterprise during the project period to date. The map that follows this table shows the geographic distribution of the respective groups involved.

3. Constraints Encountered

The project mandate of Technoserve is to increase rural employment, income, and production through the development of self-help enterprises and to provide assistance to strengthen local institutions which service these enterprises. In the course of implementing this project and of providing technical assistance to the cooperatives and enterprises listed in Table 9, Technoserve has encountered constraints at various levels, which are discussed below.

a. Cooperative Level

Beneficiaries of this project the cooperative level were among the most disadvantaged people in El Salvador prior to the agrarian reform. These campesinos are still characterized by a high degree of acceptance of their status as the oppressed, a high percentage of illiteracy, a low educational level, distrust of strangers, and difficulty of really believing that their lot in life has changed or can be changed. Many Phase I cooperative members still suspect that their current status under the agrarian reform is only temporary in nature. In turn, for many it is a time for exploitation rather than adjustment.

These basic limitations give rise to opposing factions within cooperatives, excessive turnover within cooperative administrative councils (i.e. boards of directors) making continuing training programs difficult and more time consuming, excessive use of resources for social benefits rather than business considerations, placing individual or factional interests above the interest of the cooperative,

TABLE 9

SCOPE OF ASSISTANCE TO TARGET COOPERATIVES
MAY 1986-SEP 1989

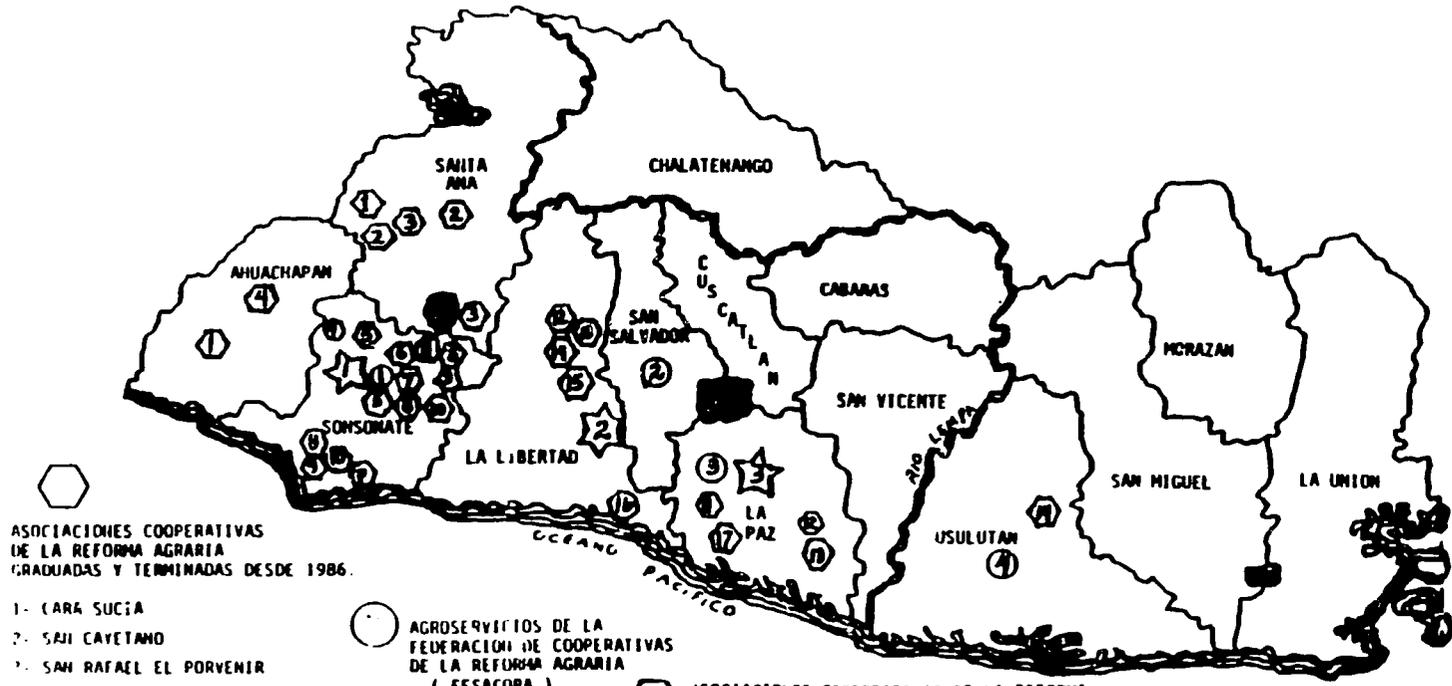
COOPERATIVE	AS OF MAY/86	SINCE MAY/86	COMPLETED	ACTIVE	TYPE ASSIST
CODE TYPE ASSISTANCE:					
Integral - I					
Partial - P					
Amate de Campo		X		X	I
San Jose Miramar		X		X	I/P
Tonala		X		X	I
S. Rafael/Porvenir *		X	X		I
Nilo 2		X	X		I
Nilo 1	X		X		I
San Isidro	X			X	I/P
Riberas del Mar *		X	X		I/P
Barra Ciega *	X		X		I/P
La Magdalena		X		X	I
Cara Sucia	X		X		P
Miravalles		X		X	I
Pian de Amayo	X		X		I
Las Victorias *	X		X		I
Las Lajas	X		X		I
El Castano	X			X	I
San Carlos		X		Y	I P
San Jose La Paz		X		X	I
San Cayetano		X	X		I
Las Lictorias		X	X		I
San Sebastian		X		X	I
Tatuano		X		X	I
El Carmen		X		X	I
El Jabali		X		Y	I
Los Lagartos		X		X	I
Bolivia		X		X	I
ATAPASCO		X		X	I
El Zunza 1 #		X		X	P
El Zunza 2 #		X		X	P
San Mauricio #		X		X	P
La Isla		X		X	I
Colombia		X		X	I
El Obrajuelo		X		X	I

* These coops were assisted during a short period of time only.

These are enterprises (feedmill, machinery pool, coffee processing plant) receiving specific TNS assistance.

In addition to the above, TNS is providing assistance to two additional cooperatives (Potosi and Nazareth) and FESADORA's agroservicio.

PROJECTS ASSISTED BY TECHNOSERVE EL SALVADOR
FROM JANUARY 1986 TO OCTOBER 1989



ASOCIACIONES COOPERATIVAS DE LA REFORMA AGRARIA GRADUADAS Y TERMINADAS DESDE 1986.

- 1- CARA SUCIA
- 2- SAN CAYETANO
- 3- SAN RAFAEL EL PORVENIR
- 4- LAS VICTORIAS
- 5- LAS VICTORIAS
- 6- PLAN DE MAYO
- 7- BARRA CIEGA
- 8- LAS LAJAS
- 9- EL ZUIZA 1
- 10- EL ZUIZA 2
- 11- RIBERAS DEL MAR
- 12- EL NILO 1
- 13- EL HILO 2
- 14- SAN MAURICIO

AGROSERVICIOS DE LA FEDERACION DE COOPERATIVAS DE LA REFORMA AGRARIA (FESACORA)

- 1 - SONSONATE
- 2- SAN SALVADOR
- 3- ZACATECOLUCA
- 4- USULUTAN

ASOCIACIONES COOPERATIVAS DE LA REFORMA AGRARIA EN CARTERA A OCTUBRE DE 1989. -

- | | |
|---------------------|--------------------|
| 1- LA MAGDALENA | 10- TOMALA |
| 2- SAN SEBASTIAN | 11- SAN ISIDRO |
| 3- EL POTOSI | 12- ATAPASCO |
| 4- EL OBRAJUELO | 13- BOLIVIA |
| 5- SAN JOSE MIRAMAR | 14- LA ISLA |
| 6- LOS LAGARTOS | 15- EL JABALI |
| 7- EL CARIEN | 16- EL TATUAMO |
| 8- SAN CARLOS | 17- AMATE DE CAMPO |
| 9- MIRAVALLS | |

ASOCIACIONES COOPERATIVAS DEL SECTOR TRADICIONAL EN CARTERA A OCTUBRE DE 1989.

- 1- ASOCIACION COOPERATIVA DE PRODUCCION AGROPECUARIA Y DE SERVICIOS MULTIPLES EL CASTAÑO DE R.L.
- 2- ASOCIACION COOPERATIVA DE ABASTECIMIENTO Y PRODUCCION DE CAFE NAZARETH DE R. L.
- 3- ASOCIACION COOPERATIVA DE CARICULTORES DE SAN JOSE LA PAZ DE R.L.

PROYECTOS INVESTIGADOS
MAS DE CIENTO EN LAS AREAS SIGUIENTES.

- AGRICULTURA
- AGROINDUSTRIAS
 - CARDAMOMO
 - CIGARRILLOS (TABACALERIAS, S.A)
 - DESFIBRADO DE HEMECIEN
 - FORESTAL DE PERQUIN
 - GRANOS BASICOS
 - HARINA DE YUCA
 - HORTALIZAS Y OLEAGINOSAS
 - MADERA
 - MOLINADO DE ARROZ
 - PROCESADO Y ENMASCADO DE SALSAS DE TOMATE Y FRUTAS
 - PULPA DE CAFE
- ARTESANIAS
- APICULTURA
- AVICULTURA
 - ENGORDE DE POLLOS
- CONSTRUCCION DE LADRILLOS Y TUBOS DE CEMENTO LA TRAVES DE GRUPO COMUNITARIO
- COMERCIALIZACION DE ARTICULOS DE PRIMERA NECESIDAD A TRAVES DE UN SUPERMERCADO DE MAYOREO
- GANADERIA
 - FABRICA DE CONCENTRADO PARA GANADO
 - GANADERIA DE ENGORDE Y LECHE
 - ENGORDE DE CERDOS
 - HAMACAS DE SAN SEBASTIAN
- TEXTILERIA
- REEMPAQUE DE LLANTAS ETC.

and a tendency for employing an excessive number of people. Most cooperative members find it extremely difficult to adapt to and become part of a business organization, and to understand and accept new rights, responsibilities, and obligations.

b. **Institutional Level**

Technoserve's institutional assistance program has been and continues to be constrained by the ignorance of or disinterest in the work of Technoserve on the part of some national level institutions, as well as by politically motivated actions of government agencies that are contrary to the overall logic of developing cooperative business enterprises and of enforcing sound credit practices.

In 1986, Technoserve began placing greater emphasis on institutional relations. This strategy requires a high level of training and transfer of skills to participating entities. Technoserve conducted a series of seminars and participated in inter-agency forums and workshops in order to consolidate and improve the various types of assistance being provided to Phase I cooperatives and develop a more rational approach to enterprise development. A number of enterprises have been assisted by institutions that took part in these activities.

While the participating institutions did not adopt Technoserve methodology, some accepted modifications recommended by Technoserve. Technoserve, in turn, made some modifications, particularly in standard accounting formats, as a result of the inter-agency meetings. In Amendment No. 3, USAID de-emphasized this activity with the caveat that it could continue at Technoserve's discretion in order to facilitate and strengthen the priority activity of providing assistance to selected Phase I cooperatives.

Agents of the banking community interviewed during this study stated that they had much more confidence in the viability of loan requests from Technoserve-assisted cooperatives than from coops not receiving Technoserve assistance. Technoserve could probably accelerate the magnitude of the project's impact on employment and production for export, with emphasis on non traditional crops, by becoming closely involved in helping BCR implement the rediscount credit line 519-0307. Such a service could also produce income for Technoserve's core budget.

There is a continuing critical need for inter-agency coordination, particularly with ISTA's new management team at the national and regional levels and with the banks, especially those agents dealing directly with Technoserve-assisted coops. This became apparent to the evaluation team early on and was reinforced in the interviews with ISTA central and regional managers, as well as with the bank agents. At the regional level, bank agents are willing to join with Technoserve in working groups to review and discuss problems encountered in the cooperatives and seek mutually satisfactory solutions. Of particular concern is their need to understand reasons for Technoserve

recommendations (i.e. changes in production, increase in acreage for certain crops) which would influence credit requests.

At the regional level (only Santa Ana was visited by the evaluation team), ISTA reiterated the bank agents' concerns. The ISTA Manager and Deputy Manager at Santa Ana also perceived that coops are not consistent in following Technoserve recommendations. They felt that if there were closer coordination between ISTA and Technoserve, the ISTA cogestores could insist on more uniform implementation of these recommendations.

At the national level of ISTA, however, Technoserve will have to do some major public relations work before any real coordination can take place. The General Manager and the Operations Manager of ISTA both voiced serious, negative opinions of Technoserve. They accused Technoserve of not performing consistent follow-up. While they admit the need for private sector technical assistance to Phase I cooperatives, they question whether Technoserve can do the job unless it modifies its procedures.

c. Limited Ability to Enforce Recommendations

As noted previously, Technoserve's contracts with its clients are based on the clients' requests for training and technical assistance in management, administration, finance, accounting, production, marketing, and social development. The role of Technoserve is an advisory one. Its only recourse, if the client does not accept its recommendations, is to suspend or terminate assistance. Such suspension or termination might cause concern in ISTA or in the banking community, since at least on an ad hoc basis, these institutions perceive Technoserve assistance activities as providing a restraining influence on irrational or unsound decisions. Conversely, however, Technoserve is often blamed for problems that occur in groups with which it is works. The seriousness and frequency of these complaints might well be alleviated if Technoserve were to become more responsive to the needs and requirements of the banking system, as well as of ISTA and MAG, and to work more closely in collaboration with these entities at all levels -- national, regional, departamental and zonal. This would assist these organizations as well as Technoserve in defining their proper complementary roles in carrying out their respective mandates, and in maintaining a supportive stance toward each other.

4. Selected Observations

a. Criteria for Target Group Selection

Technoserve has for many years employed standardized criteria to evaluate enterprises requesting Technoserve assistance. These criteria state that each enterprise should:

- Have measurable potential for achieving economic viability;

- Have potential for improving the social well-being of low-income people;
- Respond to the needs of low-income people and the local community;
- Have potential for replication;
- Have as broad a base of ownership as is possible and practical;
- Have appropriate local leadership;
- Be labor intensive when technically and economically feasible;
- Use locally available raw materials, particularly agricultural products, whenever possible;
- Have adequate local participation in equity investment;
- Be ecologically appropriate to the local environment;
- Not discriminate in favor of a particular group or sex;
- Not have ready access elsewhere to the type of services which Technoserve provides.

In addition to the above criteria, and more specifically related to the project in question, the following criteria also prevail:

- Priority will be given to activities within the reformed sector and more particularly to the category B and C cooperatives;
- Category A cooperatives may be assisted when sporadic or short term assistance is required to prevent reclassification into a lower category;
- Assistance to Category D cooperatives will be considered only in exceptional cases.

b. Attitude of Recipient Group Toward Assistance

During visits to nine cooperatives, the evaluation team asked several questions that gave respondents the opportunity to express their views regarding Technoserve assistance. In every instance, high regard was expressed for the Technoserve technical staff and the assistance it provided. Even when asked which aspect or category of assistance they felt was best and which they felt could be improved, respondents indicated that the whole package was worthwhile.

Specific examples of improvements were also cited by the respondents.

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Their relationships with the bank had improved and they were able to better prepare the necessary credit applications. Some had made changes in production and in product line and had observed improvements in that area. Some had received assistance from Technoserve in analyzing proposed equipment purchases and other investments and, as a consequence, had postponed the investment decision until a more opportune time. Respondents indicated that if they had not perceived Technoserve assistance as beneficial, they would have requested termination of the contract since it cost them money.

Since the evaluation team, of necessity, was accompanied by technical staff representatives of Technoserve, it is understandable that there was such unanimous approval. Even so, after reviewing notes from these field trips, the evaluation team believes that, on the whole, these responses were genuine if not completely candid. The next subsection discusses the degree to which the cooperatives actually follow Technoserve recommendations. This provides another perspective regarding their attitude toward Technoserve assistance which is not as wholeheartedly positive as the field interviews suggest.

c. Continued Application of Technoserve Recommendations

Although cooperative leaders and employees interviewed by the evaluation team insisted that, with few exceptions, they followed the recommendations made by Technoserve, interviews with Technoserve technical staff provided a different response.

The TNS technical teams find little resistance to recommendations regarding production, even when these involved changes in crop or product line. Their experience is that once the recommendations have been explained, and the representatives of the administrative council and the key employees have been involved in defining the reasons for the recommendations, they are followed with only minor deviations. The evaluation team visited several cooperatives where this clearly appeared to be the case.

TNS records and the records of some of the cooperatives visited by the team (and in one instance, BFA records of the San Sebastian cooperative) show overall, albeit staggered, improvements in many management areas. However, some recommendations regarding administration and management have met with serious resistance. Examples were recommendations regarding equipment maintenance and regarding the need to maintain employee continuity in selected key positions. Regardless of the careful explanations made by the TNS technicians, proper equipment maintenance remains a serious problem in many of the assisted cooperatives and possibly worse in those which no longer receive Technoserve assistance.

The employee continuity problem is compounded by the fact that in most of the cooperatives, many administrative employees are also cooperative members and, in some instances, members of the current administrative council. When a new council assumes its two-year term of

office, if an outgoing council member is also an employee the new council member often insists on replacing him even though he has received no training for that position; examples are the positions of production chief and warehouse supervisor. Technoserve has strenuously objected to this procedure and presented its recommendations in writing, but with limited success in most cooperatives.

Another example of the refusal to accept Technoserve recommendations involves the hiring of a council member for a specific task which is only needed for a short period of time, not for the whole year. The council member insists that he be hired and paid for the entire year, and is backed by the council. Technoserve has met serious resistance to its recommendations in this area.

As noted previously, the frequent changes in administrative councils complicate the ongoing assistance activities of Technoserve. These changes are even more serious after Technoserve assistance is terminated. Unless Technoserve recommendations have been fully institutionalized and understood and accepted by the members, the new councils may not appreciate their importance and take actions which are contrary to those introduced with Technoserve assistance.

Likewise, if an accountant trained by Technoserve is fired or leaves on his own, the cooperative may hire someone who is unfamiliar with the accounting systems Technoserve has helped set up. The new accountant may not understand the reasons for certain procedures and, more often than not, may change them. Similarly, changes in other key personnel (i.e. managers) with whom Technoserve has worked can be detrimental to achievements realized Technoserve guidance.

A more complicated example of a cooperative not following Technoserve's advice is when the composition of recommended input packages is unilaterally changed by BFA at the time of delivery to the cooperative in the purchase of the input package. This is a frequent occurrence, particularly with fertilizer, but one for which the cooperative is not to blame.

Another problem is the pressure placed on cooperatives by some banks and equipment suppliers to upgrade and purchase new equipment with investment credit. However, in such instances Technoserve has had reasonable success in persuading cooperatives that some purchases are not financially prudent and should be postponed based on careful analysis of real costs and benefits.

In summary, while a cooperative is under contract and receiving Technoserve assistance, Technoserve technicians are able to exert some influence in getting the cooperative to follow recommendations. If the majority of the members perceive that progress is being made, are satisfied with how the cooperative is being run, and recognize the validity of the assistance, the chances of continuity in Technoserve-induced improvements are fairly good. Follow-up by Technoserve after contract termination can reinforce this.

d. Impact on Community

The Agrarian Reform saw the role of the Phase I cooperatives as being both social and economic. It was expected that the cooperatives would provide leadership to and help bring about improvements in the living conditions of communities within or on the fringe of the cooperatives.

While this expectation has not been fully realized, the evaluation team noted several examples where cooperatives had made a community-wide impact. For instance, one cooperative involved in fresh vegetable processing needed electricity and improved water distribution for its activities. As a result of its efforts, electricity and potable water were brought to the community, benefitting members and non-members alike. This cooperative also was successful in getting Public Works to improve road access to the community. Another cooperative has built and staffed a clinic which provides services to members and non-members. Some cooperatives have built schools, and, in some instances, pay the salaries of one or two teachers. The pressure exerted by some of the cooperatives has led to a better flow of government services to their respective areas. Moreover, many full-time non-member employees of the cooperatives are from the community, and at peak periods of the year the cooperatives hire day-labor, which has a periodic local income generation impact.

The above examples are based on impressions and observations of the evaluation team gleaned during the field trips and in discussions with Technoserve staff. The team was unable to verify whether these examples are the exceptions rather than the rule. However, it is apparent that Technoserve places emphasis on the social and community role of the cooperatives without prejudicing their primary role as rural enterprises. At times, Technoserve has had to encourage cooperatives to postpone projects with potential beneficial impact in the community until the cooperatives were in a better financial position to undertake them.

e. Non Traditional Export Involvement

The CLUSA/El Salvador Production and Marketing project signed a technical assistance subagreement with Technoserve in August 1988. The current contract will end in January 1991. To date, targets are being met or exceeded. CLUSA and Technoserve are working as a unified team. All indications are that the project will lay the groundwork that will give El Salvador increased access to U.S. agricultural and food markets.

This subagreement is a good example of the flexibility of Technoserve in adapting to new opportunities. It is not too early for forward planning for the period following project termination with Technoserve performing an increasingly important role in the export promotion effort. However, Technoserve must not forget that the production of perishable export commodities is an extremely high risk business. Every effort must be made to hedge or reduce that risk. Cooperatives

will continue to require intensive management and technical assistance, and can rapidly become disillusioned if results don't match implied or promised expectations.

5. Effectiveness of Technoserve's Approach

Technoserve's approach to enterprise development, especially as it is being applied to cooperatives receiving long term or integral assistance, is a highly participatory process tailored to the particular needs of each cooperative and involving important groups of beneficiaries at each stage of project investigation, planning, implementation, monitoring, and evaluation. It also incorporates a concern for the social parameters of the assistance, and for the training and use of paratechnicians at the community level.

There is broad consensus among agricultural development technicians familiar with the current status of El Salvador's agrarian reform that Technoserve's approach to technical assistance and training is uniquely appropriate to the project's target group. There is also broad consensus that such technical assistance and training are critically needed if a significant portion of the Phase I agrarian reform structure (the Category B and C cooperatives) is to survive. Clearly the Technoserve staff represents an outstanding resource that is representative of the nation's best technicians and professionals, and there is a growing body of successful results.

There are insufficient data on which to base a firm prognosis of the effectiveness of Technoserve's approach within a given time frame, since the jury is still out on how much time it takes for cooperatives to develop appropriate enterprise management skills. Nevertheless, it is the evaluation team's best judgment that two out of every three of the target group cooperatives can be successfully "graduated" with three to four years of continuous or integral assistance.

The average target group cooperative is constituted of about 150 members, farms 700 plus hectares, and is engaged in commercial production of a series of crop lines dominated by coffee, sugar cane, rice, and cattle. For enterprises of this magnitude, the knowledge and skills necessary for production improvements come much easier than do the management skills necessary to improve profitability.

Although there is broad appreciation of the Technoserve approach within the banking community, MAG, and ISTA, the evaluation team found no evidence that this approach was being adopted by other development agencies. The costs associated with the use of highly trained personnel undoubtedly preclude public agencies from taking this approach given their current salary and personnel constraints.

USAID has expressed an interest in the project's cost effectiveness. Technoserve has recently begun incorporating a cost effectiveness study into its process of investigating and assessing individual project assistance requests. The evaluation team reviewed several of

these studies, and called them to USAID's attention. However, the very limited results currently available on the development of management skills within the target group cooperatives suggest that little value can be attached to such an exercise at the project level.

In the past six months, Technoserve/U.S. has granted greater autonomy to its Salvadoran office, which in turn has been reviewing its own procedures to address concerns that its methodology has grown overburdened with excessive analysis, planning, detail, and reporting. However, much of Technoserve's technical assistance is provided through definitive training exercises, and the learning and absorptive capacities of its clientele are seriously limited. These factors combine to require a considerable amount of detail and material that would be superfluous under other conditions. Pending the results of the ongoing procedural review, and the initiative being developed by Technoserve in coordination with USAID to expand its data collection system for project and progress monitoring, the evaluation team sees no requirements for modification of Technoserve activities to make the current project more effective.

Apart from the more generic constraints set forth Section III.B.3 above, the effectiveness of the project is often constrained by the frequently wholesale leadership changes in the cooperatives. By the time a leadership group becomes reasonably well trained (two to four years), it is often replaced in its entirety. This turnover undoubtedly plays a role in explaining why development of enterprise management skills never seems to proceed at a pace commensurate with development of technical production skills within the cooperatives.

C. An Assessment of the FESACORA Component

1. Output Targets/Accomplishments

Amendment No. 3 to the Cooperative Agreement specified that Technoserve was to provide technical and management assistance to FESACORA, from May 1986 through September 1988, to strengthen its ability to become a financially viable institution.

The specific program objectives listed in Amendment No. 3 under this support activity were to:

- Train board of directors, federation officers, and officers of FESACORA affiliates;
- Identify training requirements;
- Develop FESACORA's working relations with financial institutions in order to facilitate timely credit delivery to its affiliates;
- Participate in ISTA's program designed to place managers and in Phase I cooperatives;
- Become financially viable.

While no specific quantified targets were assigned to the first objective, it is apparent that Technoserve conducted a series of training events in compliance with this objective. Technoserve has identified and documented training requirements in FESACORA and its affiliates. It also assisted FESACORA in developing working relations with financial institutions. Under Technoserve guidance, FESACORA, particularly its legal staff, assisted some of its affiliates in preparing and presenting loan applications to the banking community. The last two objectives were reiterated as the last two output targets of the six major outputs specified in Amendment No. 3.

Following is a comparison of outputs and accomplishments through September 1988. The information provided here has been extracted from the final evaluation and report of the Technoserve/FESACORA contract, completed in January 1989, and from the financial records maintained by Technoserve. This contract specified a greater number of output targets and indicators than those contained in Amendment No. 3 of the cooperative agreement. The Final Report indicates that while a few were not achieved, most were either met or exceeded.

Output No. 1: Training Activities

	<u>Target</u>	<u>Accomplished</u>
Regional/local Level	116	441
National Level	10	74

Some of these training activities were conducted by TNS in conjunction with FESACORA and others were conducted by FESACORA itself.

Output No. 2: Increase Share Capital by at least

	<u>Target</u>	<u>Accomplished</u>
	C 230,000	C 368,000

Output No. 3: Service/fee Collection to total approx.

	<u>Target</u>	<u>Accomplished</u>
	C 360,000	C 684,691

Output No. 4: Income-generating Project Implementation

	<u>Target</u>	<u>Accomplished</u>
	2	5
plus: fee collection to cover % operating costs	15%	19%

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Output No. 5: Participate in Placement of Accountants/Managers in Cooperatives, in collaboration with ISTA and MAG.

FESACORA participated in this program through September 1987. It suspended its participation when it received a grant of US\$ 830,000 (to be matched with a FESACORA counterpart equivalent of US\$ 150,000) from IDB to fund a program known as administracion uniforme y sistema simple. FESACORA perceived this program to be a substitute for the ISTA/MAG program. Technoserve has not been directly involved in implementing this IDB-funded program, which is staffed as a separate unit outside the regular organizational structure of FESACORA.

Output No. 6: Develop Plan to Ensure FESACORA Viability after 1988.

In conjunction with FESACORA, Technoserve prepared the document Plan Economico y Financiero which indicated the potential for economic viability based on assumptions of continued growth and expansion of FESACORA's income generating projects and of fees for services. The assumptions, while apparently reasonable at the time the plan was prepared, have since proven to be overly optimistic. FESACORA still has a considerable way to go before financial viability is achieved.

The Cooperative Agreement earmarked a total of US\$ 850,000 to be provided to FESACORA by Technoserve, to be matched with a FESACORA counterpart equivalent of \$US 128,000. In the event that the grant funds were not fully expended by the end of September 1988, the balance was to be retained by Technoserve as a budget add-on to its project grant funds. By the end of September 1988, FESACORA had exceeded its counterpart requirement by C 44,691 (equivalent to US\$ 8,938). However, only US\$ 708,000 had been drawn down, leaving a balance of US\$ 142,000 to be retained by Technoserve.

2. FESACORA since September 1988

With the termination of A.I.D. grant funds in September 1988, FESACORA found itself in a precarious financial position and was forced to reduce staff and cut back on program activities. The services-for-fee (legal services, credit plans, agronomic technical assistance, specialized training courses, office supplies) and income producing projects (four input supply services, a feedmill, a mechanization center) have not grown at a sufficiently rapid pace to provide the revenues needed to cover a significant portion of operating expenses.

The IDB-funded program continues and has been extended through July 1990, but this does not generate income for FESACORA. FESACORA applied for financial assistance from SETEFE, which provided C 990,000 from the monetization of German commodities. This has given FESACORA some relief, but will terminate in December 1989. Unless FESACORA is able to secure additional financial subsidy for 1990, it will face a severe financial crisis.

FESACORA's financial problems have been compounded by internal problems at both the administrative council level and the affiliate level. These internal problems began in 1986 with the departure of FESACORA's then President, Carlos Ramirez, who organized a new federation which drew membership from some FESACORA affiliates. Several council members and staff joined the exodus from FESACORA, requiring a restructuring under the leadership of the newly elected President, Pedro Juarez.

Membership, which had increased from the original 214 founding cooperatives to 226, dropped sharply and then levelled off, with the return of some cooperatives plus the addition of five new ones, at the current membership of 154. Another 54 cooperatives utilize FESACORA services, bringing the total number of cooperatives served by FESACORA to 208. services.

During the grant period, Technoserve was able to exert some influence on FESACORA in limiting overt partisan political activities. However, within the past twelve months, and particularly during the presidential election campaign, FESACORA has succumbed to pressures from the PDC to actively support its candidate. The SETEFE grant may have been implicitly predicated on FESACORA's supporting the PDC in the election campaign. Consequently, FESACORA apparently finds itself isolated from the support activities and agencies of the present administration. It has not been included in the current ongoing dialogues regarding the Agrarian Reform. It was not invited to participate in the activities of the newly formed Consejo Consultivo Campesino, sponsored by FINATA and ISTA. ISTA perceives FESACORA as an opposition political force and as a potentially bankrupt and possibly corrupt organization, representing only a few Phase I cooperatives.

Technoserve still provides some limited technical assistance to FESACORA, particularly with its income producing enterprises, for which FESACORA pays the specified fees. This activity, however, is not sufficient for Technoserve to maintain the degree of guidance and influence with respect to FESACORA that it once enjoyed.

D. Response to Previous Evaluation

The last evaluation of Technoserve activities in El Salvador was conducted in June-July, 1985. The report (Evaluation of Technoserve Activities in El Salvador: 1982-1985) concluded with a four-page narrative section on conclusions and recommendations. Provided below are the evaluation team's comments on eight major recommendations extracted from that narrative. The first six recommendations addressed the relationship between Technoserve, as technical assistance provider, and FESACORA, as assistance recipient. The last two focused on Technoserve methodology and technical assistance operations.

Recommendation No.1: Future A.I.D. assistance to FESACORA should focus on moving FESACORA into a third phase of development and maturity, while continuing to strengthen the current trend of

providing services to its affiliates in procurement, credit brokering, marketing, and in development and maintenance of relations with government. This third phase should be characterized by the development of income-producing activities -- wholesale function in agricultural inputs, credit and agricultural commodities.

Comment: The purpose and objectives of the pass-through grant to FESACORA and the technical assistance to FESACORA under the terms of the cooperative agreement, combined with an analysis of the activities which have been carried out, indicate that this recommendation was carried out, with one exception -- FESACORA did not assume the function of credit wholesaler.

Recommendation No. 2: Technoserve should be assigned the responsibility of taking the lead in implementing this activity as part of its job description in any future OPG.

Comment: This was done.

Recommendation No. 3: FESACORA should be restructured into two major departments, each headed by its own assistant manager. The first department should incorporate all activities related to promotion, general education, intermediation with or representation to government, lobbying on cooperative issues. The second department should be responsible for the direct wholesale operations for affiliates as well as processing activities, marketing of commodities, operation of plants and supply stores and other income-producing activities. Each department should prepare and operate under separate and distinct budgets especially during the period of external assistance of the subsidy.

Comment: During the period covered by the current evaluation, Technoserve assisted FESACORA in creating two separate departments similar in function to the two recommended in the ACDI evaluation. Budget controls and accounting procedures were set up to track the costs and income of each department. The current evaluation team was not able to determine the degree to which FESACORA has continued to adhere strictly to this system, although the team was advised that the system is still operating.

Recommendation No. 4: At this juncture, the agrarian reform sector does not need additional competing forces vying for position, loyalty and representational strength and creating divisiveness among the base organizations. The four newly-founded regional cooperative federations do not merit major attention by A.I.D. at this time. A.I.D., with its assistance to FESACORA, should cultivate and continue FESACORA's orientation for increasing its service capacity to affiliates rather than sponsor competing organizations which, to date, have not shown a strong service orientation.

Comment: While initially A.I.D. provided some limited assistance to the four regional cooperative federations, it opted to concentrate

federation level assistance in FESACORA, as evidenced in the cooperative agreement.

Recommendation No. 5: There should be no substantial change in the institutional relationship by which Technoserve fills the role of intermediary and monitor of the assistance A.I.D. provides to FESACORA.

Comment: This was specified in the cooperative agreement and in the contract between Technoserve and FESACORA. Records reviewed by the current evaluation team and interviews indicate that this stipulation was followed.

Recommendation No. 6: When FESACORA's income-producing enterprises are developed and under way, these operations should be evaluated separately, using different accounting procedures and controls for each, and should include application of overhead and other standard cost accounting practices.

Comment: It is apparent in a review of the final evaluation report and of the final report on the Technoserve-FESACORA subgrant activities that this was done.

Recommendation No. 7: Given the high level of technical skills and abundant experience of Technoserve in its field of specialization, it might be worth establishing within Technoserve a capability to detect and respond to unique or unusual problems, situations or opportunities in agrarian reform cooperatives; i.e. the creation of a kind of "SWAT" team. This team should be composed of experienced, mobile technicians backed up by Technoserve specialists as needed or appropriate, with responsibility to detect and respond to situations in which there is neither time nor justification for the usual Technoserve procedure of formal project development, approval, and implementation.

Comment: Technoserve has set up ad hoc teams to respond to special situations within a short timeframe. These have been either multidisciplinary or unidisciplinary in character, depending on the situation. Usually these have functioned in conjunction with ongoing Technoserve assistance activities for groups of cooperatives. The most frequent use of these ad hoc teams has been to assess financial difficulties and recommend solutions or adjustments. Some teams have included or collaborated with the banks and ISTA at the regional level.

Recommendation No. 8: This approach should not come to overshadow the well proven methodology of Technoserve in its Salvadoran programs. This approach would be similar to the short-term technical "SATCOR" component of Technoserve operations since 1983, but with a fundamental difference. SATCOR is mainly a responsive mechanism, whereas the SWAT group should be more venturesome and aggressive in seeking out opportunities for its special style of intervention.

Comment: The ad hoc team approach is essentially responsive in that it is utilized to seek solutions to problems detected in the course of providing technical assistance to the cooperative clients of Technoserve. The current evaluation team believes that this is a more correct utilization of technical resources. The "SWAT" approach recommended in the previous evaluation would require Technoserve to seek out cooperatives with which it is not working. Technoserve only works with groups that request its assistance, utilizing established criteria to determine if and how it should provide assistance.

III. CONCLUSIONS AND RECOMMENDATIONS

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A. Performance on Output Targets

Project implementation progress as measured by the scheduled output indicators appears to be on track. Seven of the ten output targets have already been achieved. Technoserve's plans for achieving the remaining three targets prior to project termination are feasible.

B. Performance at the Project Purpose Level

At this point in the project's development, measurement of achievements at the purpose level is somewhat premature because the 1987 drought adversely skewed the data base, because "problem" enterprises take extra time to get back on track, and because many of the crops involved take two to five years to reach production maturity. Nevertheless, best available data indicate that very good production and yield increases are being achieved, and that there have been substantial increases in employment and income. The same data base, albeit with some exceptions, also strongly suggests that a significant part of the employment and income gains may have been achieved at a cost of increased net losses and declining net worth.

Recommendation: To clarify this issue, USAID should undertake or contract for an independent analysis of profitability and net worth trends in those Phase I cooperatives which have received at least two years of integral assistance from Technoserve.

Recommendation: USAID and Technoserve should investigate with PERA the possibility of generating a broader production and financial data base on all Phase I cooperatives to facilitate progress monitoring and comparative analysis.

C. Effectiveness of Technoserve's Approach

There is broad consensus, shared by the evaluation team, that Technoserve's approach to technical assistance and training is uniquely appropriate to the project's target group, and that it is critically needed if a significant portion of cooperatives in this group are to remain as viable production units.

Recommendation: If its policy and program objectives place high priority on retaining a significant number of viable Phase I cooperatives over the short and medium term, USAID should give serious consideration to a major expansion of the current project for a minimum of eight to ten additional years.

Recommendation: If the above task is to be addressed, a part of the current assistance package should be shared by the banking industry, perhaps by DIVAGRO and the Ministry of Agriculture, and ultimately by a secondary level cooperative or federation.

D. Constraints at the Cooperative Level

The high frequency of turnover within the leadership structure of the cooperatives is detrimental to the institutionalization of essential management skills. The development of management skills, in turn, does not appear to take place at a pace commensurate with the development of technical skills.

Recommendation: Technoserve should be requested to review current regulations governing eligibility and terms of office for cooperative officials and recommend to USAID any desired changes to reduce turnover rates. The evaluation team suggests that no more than one-third of these officials should rotate out of office each year.

E. Role of FESACORA

Salvadoran cooperatives in both the reformed and traditional sectors need secondary level cooperatives or federations to promote and protect their interests, as well as to establish and operate various services which provide economies of scale. With additional inputs of technical and financial assistance, FESACORA could yet become an apolitical, financially sound, and dynamic organization able to represent a large constituency of cooperatives and to provide them with needed services.

Recommendation: USAID should continue to monitor developments at FESACORA and not lose the opportunity to provide support if conditions warrant.

IV. LESSONS LEARNED

IV. LESSONS LEARNED

Technoserve and its staff have accumulated extensive experience in agricultural and enterprise development that is directly related to the objectives of the project and to the needs of the project's target group. Following is a summary of lessons learned from experience not only with Project No. 519-0312, but also with previous undertakings by Technoserve where these were reinforced by current project experience.

- In the identification and diagnosis of a cooperative's problems, and the planning of solutions, it is essential that there be active participation of the membership and that full consideration be given to both social and economic parameters.
- Project assistance must identify strongly with the perceived needs of the cooperative members and the success of the organization as a business enterprise.
- Probably the most important key to the success of the Phase I segment of the agrarian reform program lies in the quantity and quality of the training and technical assistance programs that effectively reach the affected campesinos.
- Projects of this nature - involving a constantly changing group of recipient entities, as well as changing political, social and economic parameters - should be evaluated on a frequent basis by the implementing organization if they are to achieve and maintain a high level of target focus and project effectiveness.
- There also is a special need in projects of this nature, which can have important political and social impacts, to adequately keep informed the related policy making institutions, in this case the Ministry of Agriculture and the agrarian reform agency.
- The in-house seminars and training programs for Technoserve technicians who advise and assist the cooperatives are of real value. They provide forums for the sharing of experience and insights, and for increasing the overall effectiveness of project activities.
- If its assistance to cooperatives with multiple problems is to be effective, Technoserve must work in an integrated and comprehensive manner, encompassing all cooperative activities, in close coordination with other institutions which work with or provide support to the cooperatives.
- The advantages of publicizing the Technoserve program in El Salvador have not yet been fully realized. Such publicity could highlight achievements and disseminate lessons learned through

Technoserve's methods of providing technical assistance and inducing socioeconomic development.

The following additional lessons learned were extracted from responses to questionnaires used by the evaluation team to survey Technoserve staff.

- Special emphasis needs to be placed on social issues in the overall context of technical assistance, since people are the base of the cooperatives and their activities. Success or failure depends to a great degree on the attitudes and understanding of these people.
- The horizon of the Technoserve advisors can be expanded by exposing them to the latest socioeconomic and enterprise development technologies through a series of talks, courses, and seminars conducted by public and private organizations both within and outside El Salvador.
- Longer lasting results can be realized by concentrating more of the assistance on permanent staff in the cooperatives - the paratechnicians trained by Technoserve - since this staff is more key than the rotating administrative councils to achieving and maintaining real change in the cooperatives.
- Similarly, if more than one person in each cooperative is trained in the principal areas of administration and production, the results are longer lasting.
- Integral assistance achieves better economic and social results than partial assistance in the long run, even though it consumes more time and is more costly.
- Depending on the type and degree of problems encountered in a cooperative, better absorption and adaptation may be achieved if the assistance is gradually increased in intensity.
- When assistance to a cooperative is terminated, it is important to continue a process of monitoring and follow-up over an adequate period of adjustment in order to avoid regression in goals which have been achieved.

V. APPENDICES

A. EVALUATION SCOPE OF WORK

Appendix A

EVALUATION SCOPE OF WORK

The objective of this delivery order is to appraise progress in implementing the project, identify elements constraining its successful execution, and report lessons learned about the methodology used by Technoserve. The project is now in its fourth year of operation and nearing completion after having been extended 17 months beyond its original completion date.

At this time, an external evaluation of the project to assess overall success and to measure its impact in addressing the administrative weaknesses of agrarian reform cooperatives and other rural enterprises is appropriate. The results of the evaluation will be used by USAID and Technoserve to design future project assistance in the agriculture sector.

The evaluation team will thoroughly review the Cooperative Agreement, as amended, along with all other relevant project documents including quarterly and semi-annual reports, diagnostic studies, business plans, and previous evaluations. This will be followed by in depth discussions with AID and Technoserve officials and site visits to assisted cooperatives.

The evaluation team will report its findings, present conclusions that are based on the findings, point out examples of noteworthy accomplishments, and recommend improvements based on the overall evaluation exercise. Finally, the team is expected to list and briefly discuss lessons learned that emerge from the analysis.

In order to carry out the evaluation, the team will respond to the following questions and concerns:

- A. List all targets and activities, assess progress toward achieving targeted outputs and activities, and ~~note~~ problems encountered in reaching the targets. What criteria is used to select targeted coops? Are they consistent with an export oriented thrust? Are the targets being met? Do the clients value the assistance? Do they follow the recommendations?

- B. Quantify and describe the progress made by cooperatives assisted by Technoserve in terms of increases in production, yields, employment, income, profits and net worth. Are the cooperatives assisted by technoserve performing better than those outside the portfolio? Have the improvements continued after cooperatives graduate from Technoserve assistance? Are there improvements at the community level?
- C. Assess the effectiveness of Technoserve's methodology in bringing about self-sustaining improvements in the organization and management of cooperative. Are there documented improvements in the management of cooperatives as a result of project assistance? Is the Technoserve assistance cost effective?
- D. Assess the impact of Technoserve's assistance to improve FESACORA's capability to service affiliated cooperatives, to strengthen its relations with public and private institutions, and to replicate its methods and techniques. Have others adopted the methodology? How can Technoserve best expand its influence?
- E. Determine the extent to which any recommendations from the previous evaluation have been carried out and the relative success of the modifications. What further modification, if any, are needed to make the project more effective?
- F. Assess the impact Technoserve has had on the overall agriculture sector, and agro-exports. Are Technoserve-assisted cooperatives more productive than the other? How many new additional cooperatives and rural enterprises are good candidates for Technoserve assistance? Is Technoserve capable of expanding its assistance to other cooperatives?

After arrival at post, the contractor will, over a two day period, be briefed by AID and Technoserve and will thoroughly review pertinent documents. The contractor will then prepare a work plan in the following two days. The work plan will schedule activities of each team member, describe the methodology to be followed, specify the information to be gathered, and the use of this information in the analysis to be undertaken.

The work plan must be approved by the AID Project Manager and Technoserve so that all parties are in agreement on the points to be addressed in the evaluation, and the methodology to be followed. During the next three weeks, the team will carry out the approved work plan including personal interviews, review of documents and field visits and prepare the reports to be written and delivered as a requirement of this work order.

B. LIST OF DOCUMENTS REVIEWED

Appendix B

LIST OF DOCUMENTS REVIEWED

A. TECHNOSERVE AND USAID PROJECT RELATED DOCUMENTS

Achievement Indicators at June 1989 and Goal Projections at March 1990 and December 1990.

Amendment No. 3 - Cooperative Agreement No. 519-0312-A-00-6376-00.

Anexos a Solicitud de Enmienda al Acuerdo Cooperative USAID/El Salvador-Technoserve, Inc. No. 519-0312 - Enmienda No. 3.

Antonio Chavez is now Production Manager of his Cooperative, Technoserve, Inc. El Salvador Cooperative Las Victorias.

Area de Cooperativas Asistidas y Graduadas.

CLUSA El Salvador Quarterly Report, April-June, 1989.

Comparisons of Production and Yield per Crop Assisted by Technoserve El Salvador - 1987/88.

Concepto del Proyecto de Ganaderia de Doble Proposito Febrero 1981.

Conferencias Impartidas en Seminarios MAG.

Contrato de Asistencia Tecnica entre Technoserve, Inc. y FESACORA del 28 Mayo, 1986 al 30 Septiembre, 1988.

Cooperativa Amate de Campo - Marzo 1986 - Agosto 1988.

Cooperativa Bolivia - Noviembre 1988 - Octubre 1988.

Cooperativa Colombia.

Cooperativa el Castano - Noviembre 1985 - Octubre 1987.

Cooperativa el Jabali - Junio 1988.

Cooperativa el Nilo 2 - Marzo 1989.

Cooperativa el Obrajuelo - Abril 1989.

Cooperativa el Potosi.

Cooperativa la Isla.

Cooperativa la Magdalena.

Cooperativa Las Lajas.

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Cooperativa Miravalles.

Cooperativa San Carlos.

Cooperativa San Isidro.

Cooperativa Tonola.

Cooperative Agreement No. 519-0312-A-00-6376-00.

Ed Bullard and "The Three Marias" - Cooperativa El Castano.

Enunciado de Algunas Lecciones Aprendidas por Technoserve durante su Labor de Asesoría a Empresas.

Establecimiento de Proyectos Pilotos para Desarrollar una Metodología de Evaluación de Impacto.

Estructura Organizativa y Manual de Descripción de Puestos de Technoserve, Inc. Programa El Salvador.

Evaluation of Technoserve Activities in El Salvador, 1982-1985, ACIDI.

FESACORA/TNS - AID/OPG, Periodo Abril 1, 1986 - Septiembre 30, 1988.

Formularios de Trabajo para Consulta Asesores.

Guia No. 1 - Guia para Programación Actividades de Asesoría Técnico Administrativa a Empresas Agropecuarias.

Guia No. 2 - Guia para Formulación de Documentos Técnicos.

Guia para la Medición del Costo Efectividad de la Asesoría en El Desarrollo Empresarial.

Guia Practica en las Areas de Promoción y Evaluación Participativa de Proyectos, con Anexos.

Implementación de la Estructura de la Unidad Técnica, BCR-Project 519-0307, June 1989.

Indicadores de Logros Sociales Economicos y Productivos a Julio 1989.

Influencia de Technoserve, Inc. El Salvador en Principales Actividades Agropecuarias.

Informe Final Evaluación Participativa, FESACORA, Noviembre 1986.
Informe Final, FESACORA, Enero 1989.

Informe de Resultados de Cursos de Capacitación para Gerentes, Contadores y Miembros de los Consejos de Administración y Juntas de

Vigilancia de Cooperativas del Sector Reformado de la Fase I
Auspiciado por el BCR.

Informe Semestral de los Directores del Programa El Salvador -
Enero a Junio 1987.

Informe Semestral del Programa Technoserve El Salvador, Julio-
Diciembre 1987.

Informe Semestral del Programa Technoserve El Salvador, Julio-
Diciembre 1988.

Informe Semestral de Technoserve, Inc. Programa El Salvador - Enero
a Junio 1988.

Informe Semestral del Programa Technoserve El Salvador - Enero a
Junio 1989.

Logros del Programa Technoserve, Inc., El Salvador, Enero-
Diciembre 1986.

Logros del Programa Technoserve, Inc., El Salvador, Enero-
Diciembre 1987.

Logros del Programa Technoserve, Inc., El Salvador, Enero-
Diciembre 1988.

Logros del Programa Technoserve, Inc., El Salvador - Enero a Julio
1989 y Proyeccion Agosto a Diciembre 1989.

Manual de Procedimientos Legales para Convenios con Grupos
Patrocinadores (America Latina).

Manual de Referencia para el Desarrollo de Empresas.

Manuel Portillo and "Chindo" Ramirez from la Chapina Cooperative -
Cooperativa la Chapina.

Marco Logico May/1986 - Dec/1990 - Acuerdo Cooperativo AID/TNS.

Measuring of Impact - Determining Cost-Effectiveness of Non-
Governmental Organization Development Projects.

Perfil de Proyeccion de Technoserve, Inc. Programa El Salvador,
1989-1991.

Perfil de Desarrollo Institucional Technoserve, Inc. El Salvador,
1984-1988.

Plan Anual 1986 (Programa de Trabajo 1986).

Plan Anual 1987 (Plan Operativo de Trabajo 1987 de Technoserve El
Salvador).

Plan Anual 1988 (Programa Operativo de Trabajo 1988 de Technoserve El Salvador).

Plan Anual 1989.

Plan de Amayo.

Quarterly Report of Anticipated Activities, April-June 1986.

Quarterly Report of Anticipated Activities, April-May 1989.

Quarterly Report of Anticipated Activities, July-September 1989.

Quarterly Report - April-June 1989, for USAID Project 519-0307: Technical Assistance to the Agrarian Reform Cooperatives and Decree 207 Beneficiaries, July 1989.

Reports from the Coordinating Committee for AID Financed Projects for Non-Traditional Products in El Salvador, March 29 - September 5, 1989.

Solicitud de Enmienda al Acuerdo Cooperativo USAID/El Salvador-Technoserve, Inc. No. 519-0312.

Subagreement between Technoserve, Inc. and the Cooperative League of the USA for the El Salvador Production and Marketing Project.

Technoserve's Annual Meeting - May 10, 1989: A Brief Summary of the El Salvador Program.

Technoserve El Salvador Family Profile - Cooperativa Las Victorias.

TNS/AID/OPG Request for Funding US\$3,820.00, May 1, 1986 to September 30, 1988, with Appendices.

B. OTHER DOCUMENTS

Agricultural Production Cooperative Ownership Model in El Salvador, Jeff Nash/NCBA, January 1989.

VII Evaluacion del Proceso de Reforma Agraria, PERA.

VIII Evaluacion del Proceso de Reforma Agraria, PERA (in draft).

C. LIST OF INDIVIDUALS AND AGENCIES CONTACTED

Appendix C

LIST OF INDIVIDUALS AND AGENCIES CONTACTED

The evaluation team interviewed cognizant USAID/ES personnel in the Program and Project Offices, and almost all RDO staff, particularly those individuals directly involved in Agrarian Reform and related activities. Apart from contacts made at the cooperative level, which are listed in Appendix D, the team also made contacts in the following institutions:

Technoserve/El Salvador	Country Program Director All Key Staff Most Technical Staff*
MAG (Ministry of Agriculture)	The Minister Legal Counsel
ISTA (Agrarian Reform Institute)	
- Main Office	General Manager Operations Manager
- Santa Ana Regional Office	Manager Deputy Manager
PERA (Agrarian Reform Evaluation Project)	Director
FESACORA (Agrarian Reform Cooperative Federation)	President Manager
BCR (Central Reserve Bank)	Advisor Technical Unit Staff Agricultural Credit Supervisors
BFA (Agricultural Development Bank)	Santa Ana Credit Agent
Banco Salvadoreno	Agricultural Credit Agent
CLUSA/NCBA (Cooperative League of the U.S.A.)	Export Promotion Project Director

* In addition, the views and opinions of Technoserve technical staff were solicited through anonymous questionnaires distributed by the evaluation team.

**D. SUMMARY PROFILES OF NINE COOPERATIVES
VISITED BY EVALUATION TEAM**

Appendix D

SUMMARY PROFILES OF NINE COOPERATIVES VISITED BY EVALUATION TEAM

Las Lajas, Sonsonate	19 October 1989
El Castano, Sonsonate	19 October 1989
San Isidro, Sonsonate	19 October 1989
El Sunza 1 & 2, Sonsonate	19 October 1989
Tonala, Sonsonate	20 October 1989
Miravalles, Sonsonate	20 October 1989
La Magdalena, Santa Ana	20 October 1989
San Sebastian, Santa Ana	21 October 1989
Amate de Campo, La Paz	21 October 1989

Seven of these cooperatives are Agrarian Reform, Phase One cooperatives. El Castano was not organized under the Agrarian Reform, and as such does not come under ISTA jurisdiction. El Sunza 1 and 2 are FESACORA enterprises functioning on the property of the El Sunza cooperative, which was organized under the Agrarian Reform. With the exception of Las Lajas, all are currently receiving TNS assistance.

Las Lajas, San Isidro and Amate de Campo have been designated as "autogestionarias" -- cooperatives having been granted autogestion by ISTA. The others under ISTA jurisdiction are still subject to cogestion. Nevertheless, in all of the Phase One cooperatives visited by the evaluation team, even the three autogestion cooperatives, ISTA has placed or will place a cogestor, sometimes referred to as co-administrator. The team was informed by the General Manager of ISTA that this is a new policy for all Phase One cooperatives.

While most Agrarian Reform, Phase One cooperatives were constituted as such in March 1980, San Sebastian was constituted as a Phase One cooperative on October 2, 1985 through mutual agreement reached between ISTA, the previous owner, and the campesinos working on the hacienda for the previous owner and/or working on portions of the land leased to them. This may be the only exception to the 1980 mass creation of Phase I cooperatives.

While these nine cooperatives do not represent a statistical sampling of the TNS-assisted cooperatives, they provide an interesting view of the different types of cooperatives and enterprises with which TNS is working.

The following pages summarize some of the information provided to the Evaluation Team at time of visit for each cooperative, followed by comments of the team member visiting the cooperative. These summaries are not meant to present a diagnostic view of these cooperatives. Basically complete information on each is found in the TNS files, which were reviewed by the team. The comments provided here are perceptual and complementary to the more aggregated data and findings in the Report.

LAS LAJAS

Location: Icalco, Sonsonate Constituted: March 9, 1981

Land Area: 1030 Ha. (1472 Mzs) Membership: 307

Major Productive Activities:

Coffee	874 Mzs
Basic grains	750 "
Woodlands	130 "
Improved pastures	79 "
Infrastructure	48 "
Total livestock	260 Head
Coffee processing plant	

Community Services: Health Center & Primary School

Legal Status: Land Title and Autogestion

Bank: Banco Salvadoreno TNS assistance since 1982

partial	1982
integral	1984
completed	1987

Financial Status (a/o Dec/88):

Total Assets	C 17,829,000
Net Worth	4,796,000
Paid in Capital	279,000
Total Revenues	5,354,000
Profit before	
Ag Reform Interest	590,000

Persons interviewed: President, Vice-President, Secretary, Vigilance Committee President, Director Social Programs, other Council members, Manager and Cooperative Member, Coffee Plant Manager-Employee, Accountant-Employee.

COMMENTS: This cooperative appears to be performing well after termination of TNS assistance. It has invested in amplification of its coffee processing plant, it has a full-time manager who has moved up through the ranks from the original position of accountant. It has purchased and uses a computer, and has contract with a computer consultant / trainer. It has provided community services -- a health center and a center and school. It has self-insured, children of member, provides financial assistance for students, children of its members -- even a form of scholarship for those pursuing studies of a higher level than those offered in the community school. These social services are budgeted as such and, apparently, are not hidden drain financial resources as is too often the case in other cooperatives.

This cooperative is one of TNS success stories.

SAN ISIDRO

Location: Izalco, Sonsonate Constituted: 6 March 1980

Land Area: 3497 Ha. (5001 Mzs) Membership: 912

Major Productive Activities:

Coffee	2526 Mzs
Cane	748 "
Corn	24 "
Avocado	23 "
Apiculture	725 beehives
Coffee processing plant	
Cement tube factory	

Legal Status: Land title and autogestion

Bank: Banco Salvadoreno TNS assistance since 1986

partial	1986
integral	1987
continuing	

Persons interviewed: President, Vice-President, Secretary, Treasurer, one other Administrative Council member, General Manager, Manager of agricultural division

COMMENTS: Due to internal cooperative problems, ISTA interviewed and installed a new manager on June 31, 1989. The new manager is a graduate of Mayaguez Land Grant University in Puerto Rico. He has experience in the U. S. Federal Land Bank in San Juan, PR and worked for a number of years for Firtica in El Salvador. He has impressive technical skills and seems to know his job. Crops are clean and well tended. The rather large coffee and sugar cane renovation activities are proceeding on schedule.

Although no financial data was provided for this cooperative, it is one of the financially soundest of those coops receiving TNS integral assistance. The Evaluation Team perceives this cooperative as another of TNS' successful accomplishments.

EL SUNZA 1 & 2

Location: Izalco, Sonsonate

Major Productive Activities:

Sunza 1 -- feedmill
Sunza 2 -- machinery pool

Funding:

Sunza 1 (Italy)	C 1,180,000
(coops)	54,400
Sunza 2 (Italy)	7,800,000
(coops)	81,600

Management:

FESACORA, under co-investment agreement with 20 coops

TNS Assistance for both:

Integral -- Jun/86-Sep/88
(under cooperative agreement)
Specific -- Oct/88-Mar/89
(under letter of agreement)

Current Status:

Sunza 1 - not operating for lack of operating capital
Sunza 2 - operating at 30% capacity

Persons interviewed: None

COMMENTS: Due to some mix-up over arrangements for our visit to these two activities, the personnel in charge were absent and our tour of the facilities was provided by a mechanic of the machinery pool and a watchman from the feedmill.

About 75 percent of the machinery pool's tractors were rented out at the time of our visit. They were of 45 and 72 HP in size and apparently in good demand. Most of the other equipment was such that its demand would only be seasonal, and this factor appeared to explain our previous notice that the equipment or machinery pool was only operating at about 30 percent of capacity. All equipment at both sites appeared in good order and properly maintained.

TONALA

Location: Sonsonate, Sonsonate Constituted: March 10, 1980

Land Area: 560 Ha. (800 Mzs) Membership: 132

Major Productive Activities:

Cane	179 Mzs
Plantain	80 "
Rice	52 "
Corn (member/parcels)	66 "
Livestock	150 "
Livestock (members)	80 "

Community Service:

- Support rural school
- Support GOES nursery school
- Agroproducts at lower prices

Legal Status: Land Title

Bank: Banco Salvadoreno TNS assistance since 1985
integral & continuing

Financial Status (a/o Mar/89):

Total Assets	C 9,068,805
Net Worth	(3,010,815)
Gross Revenues	1,979,815
Net Income	(713,800)

Persons interviewed: President/Production Supervisor, Vice-President/Cane & Plantain Supervisor, Secretary/Rice Supervisor, a Council member, Accountant, the Cogestor

COMMENTS: The financial status of this cooperative is symptomatic of the serious problems this cooperative has lived through, which still continue but appear to be abating. Tonalá has been torn by internal strife for most of its existence -- fights between members and Council members resulting in deaths, malfeasance and corruption, refusal of most members to participate in sugarcane operations, requiring the cooperative to hire day labor. This has been compounded by military interventions, resulting in beatings, disappearances, and deaths.

While the present council appears to be determined to attack these problems on its own or with the help of TNS, it will be a steep, uphill struggle before some semblance of an orderly enterprise emerges. Nevertheless, there have been some marked improvements in the cooperative's operations within the past year, particularly in cane production and in gradually reducing debt.

MIRAVALLS

Location: Acajutla, Sonsonate Constituted: March 19, 1986

Land Area: 1575 Ha. (2045 Mzs) Membership: 178

Major Productive Activities:

Rice	274 Mzs
Cane	234 "
Sorghum	155 "
Dairy cattle	317 Head
Other cattle	200 Steers

Financial Status (a/o Mar/89):

Total Assets	C 5,367,835
Net Worth	(4,988,395)
Total Revenues	3,020,763
Loss before bad debt interest	(486,850)

TNS Assistance since 1986
Integral and Continuing:

NOTE: Initial period of TNS assistance (Jun/86-Jun/87) was financed under the BFA program to contract private sector TA to cooperatives.

Persons interviewed: General Manager, Outgoing Vice-President and Treasurer; Incoming President, Vice-President, Secretary, and Treasurer; Rice Production Supervisor, Livestock Supervisor, and Chief Accountant; three members.

COMMENTS: This coop is made up almost exclusively of former day laborers at this farm who appear to feel that their principal goal in managing the farm's assets is to create as many jobs or generate as much employment as possible. Segments of their conversations quickly led the listener to conclude that employment on the farm had early on taken the form of their security blanket. Operationally, with TNS assistance being highly touted, this coop since 1986 had achieved 22% increase in its sugar cane yields, 50% in its rice yields and a doubling of milk production per cow. They were proud of the new "personal liberties" which they attributed to their membership in the coop. They also identified marketing uncertainties and the increasing debt burden of the coop as major items of concern relative to the future of the coop.

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LA MAGDALENA

Location: Chachuapa, Santa Ana Reconstituted: June 1, 1988
(See comments, below)

Land Area: 2144 Ha. (3006 Mzs) Membership: 435

Major Productive Activities:

Cane	636 Mzs
Coffee	256 "
Individual crops	466 "
Infrastructure	27 "
Fish ponds	9 "
Mountains/woods	1669 "

Legal Status: Land Title

Bank: BFA, Credito Popular TNS assistance since 1986
integral & continuing

Financial Status (a/o Mar/89):

Total Assets	C 5,756,064
Total Revenues	2,605,153
Profit 87/88	(749,151)
Profit 88/89	(305,514)
Agrarian Debt	2,298,169

Persons interviewed: Former council President, Vigilance
Committee President, Manager and Accountant.

COMMENTS: While this cooperative was first constituted in 1980,
with a land area of 4104 Mzs., in mid-1988 a decision was made by
GOES officials to reclaim 1957 Mzs. of essentially mountainous
woodlands. The cooperative was reconstituted in July of that
year.

This cooperative has an excellent natural resource base. The
leadership is alert, intelligent and seem dedicated to having a
productive, solvent enterprise. The renovation programs for
sugar cane and coffee are well cared for and on schedule. This
cooperative has the earmarks of becoming a success story.

SAN SEBASTIAN

Location: Chalchuapa, Santa Ana Constituted: October 2, 1985

Land Area: 211 Ha.

Membership: 51

Major Productive Activities:

Cane	143	Mzs
Coffee	44	"
Corn (collective)	35	"
Maiz (individual)	61	"
Infrastructure	5	"
Fond	5	"

Legal Status:

Land Title

Bank: BFA, INCAFE

TNS assistance since 1988
integral & continuing

Financial Status (a/o Mar/89):

Total Assets	C 1,193,927
Total Revenues	531,399
Profit 87/88	(272,231)
Profit 88/89	(65,951)
Agrarian Debt	753,000

Persons interviewed: President, Vice-President, Secretary, Treasurer, Vigilance Committee President/Production Supervisor, two Council members (one is coffee supervisor), Manager, Accountant.

COMMENTS: This cooperative functioned as a traditional cooperative of individual, land-lease peasants, prior to its constitution as a Phase One cooperative under ISTA in 1985. This was accomplished through the mutual cooperation of the previous owner, ISTA and the former cooperative. Apparently the members had difficulty adjusting to their new status of owning and working the total land area assigned to them by ISTA, for the first years were marred by internal strife and mismanagement.

With the installation of a new administrative council and request for TNS assistance, the situation has improved. The cooperative has hired a manager, an accountant/secretary, a bookkeeper, a cashier, and a warehouseman. In addition, it pays the two Council members for their services in production supervision.

The BFA agent stated, in an interview with an evaluation team member, that he believes the cooperative will be able to move out of the red by the end of the year. While the credit situation with INCAFE has improved, a representative advised that the cooperative still has a negative balance. The trend indicates that this may be favorable by next year.

All individuals interviewed portrayed real pride in their enterprise and determination to become successful. The manager exhibits a genuine concern for the cooperative and grasp of the areas which must be improved. This is a potential success story.

AMATE DE CAMPO

Location: San Luis Talpa, La Paz Constituted: June 7, 1980

Land Area: 424 Ha. (607 Mzs) Membership: 130

Major Productive Activities:

Cotton	151 Mzs
Rice	140 "
Sorghum	47 "
Corn (individuals)	55 "
Livestock (coop)	50 "
(individuals)	16 "

Community Service:

- Rural housing construction
- Electricity project
- Literacy campaign

Legal Status: Land title and autogestion

Bank: Ban/Comercio TNS assistance since 1985
integral & continuing

Financial Status (a/o Mar/89):

Total Assets	C 4,675,045
Net Worth	(3,918,725)
Gross Revenues	2,826,195
Net Income	(696,685)

COMMENTS: Before TNS began assistance, the principal productive activities of this cooperative were cotton and dairying.

When Technoserve initiated its assistance in 1985, the average milk production per cow, per day was 2.81 bottles. In the first semester of 1989, production per cow averaged 11.75 bottles per day. Production is projected to reach 16 bottles per day by 1993.

Diversification of crops began in the first year of assistance with the planting of 79 Mzs of rice and reducing cotton plantings accordingly. Rice production of 107 QQ/Ha. exceeded the national average of 90.5 QQ/Ha.

Plans call for further diversification to include grain sorghum, plattains, and vegetables for export. If the current quality of management continues, the cooperative should become solvent in 1990 or 1991. As the new sugarcane and coffee plantings come into production, the enterprise has a good chance to become and remain solvent.

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