

	<u>B. NAME OF OFFICER RESPONSIBLE FOR ACTION</u>	<u>C. DATE ACTION TO BE COMPLETED</u>
1. <u>Unresolved Issues (Cont'd):</u>		
- Improve coordination/linkage between Planning Unit and regional teams; Improve planning capability of latter		5/31/81
- Revise and improve training of INA accountants, paratechnicians and cooperative treasurers.		5/31/81
- Assess effect on beneficiaries of delays and failures i.e. assess effect of awkward credit approval processes, poor administrative procedures, etc.		<u>3/</u>
(b) Training program for public agricultural sector personnel should be revised in accordance with DAI recommendations.	HWing USAID/AG JJJordan USAID/AG GRobeldo GOH/AG RRodríguez GOH/AG	5/31/81
(c) Revise documents mentioned in Block 9 below:	"	5/31/81
2. <u>Lessons Learned:</u>		
(a) Interagency agreements for coordination are ineffective unless one agency is given overall direct supervisory responsibility for all personnel of all participating agencies.		
(b) Work plan of the project has improved chance of success if it is made a part of the regional work plan and one person or group of persons have responsibility for implementation of only those functions.		
(c) Capital investment with agrarian reform groups would be better utilized if participating groups were preselected rather than promoting capital investment among all groups as many of the farmer (asentamiento) groups cannot handle large investments nor repayment terms.		
3. <u>Delay of Evaluation</u>		
In late 1978-early 1979 the GOH Farm Planning Advisory Group conducted an evaluation of this project. The evaluation, covering the period 4/77-12/78, was never finalized. The reasons for this non-submittal apparently resulted from the poor quality of the report and some differences with respect to approach and findings. This evaluation was originally scheduled for February-		

3. Delay of Evaluation (Cont'd):

March, 1980 and was to cover the period 1/79-1/80. Due to the reorganization of BANADESA in early 1980 and the problems stemming from that reorganization (personnel shortages, competing priorities, etc), BANADESA was unable to provide information, credit records or people to assist with this evaluation. As this was an important element, the evaluation was delayed. A second less important factor contributing to the delay was the change in government in early 1980. This evaluation provides a summary of project actions since 4/77.

13. Summary: The project activities (1) Farm Systems Planning and Evaluation (2) Capital Investment Fund; and (3) Training are proceeding well despite problems encountered with slow disbursement of the Capital Investment Fund and late start up of training. The fourth activity, Research and Development of Small Farm Technologies was split off from this project to become part of the Rural Technologies Project.

The Farm Systems Planning and Evaluation Activity has been the most dynamic of the Project activities. Starting in April 1977, with the objective of creating the capability in the public agricultural sector to develop economically viable farm plans, the Farm Planning Advisory Group established under this activity has developed farm plans for 264 group farms. These plans formed the basis for credit requests and led to the approval of \$15 million in loans involving some 48,820 hectares while benefitting 5,762 farm families.

The Capital Investment Fund has disbursed \$1.6 of the \$5.0 million made available by USAID. This amount went to finance permanent crops, livestock, and machinery. The lag in disbursements from this fund was caused by two problems: (a) a delay in satisfying conditions precedent to disbursement and later (b) organizational problems of the lending institution, the National Agricultural Development Bank.

Training was divided into campesino training, extensionist training and artesan training. To date, only training of campesinos has been carried out with the exception of on-the-job training of those extensionists that worked closely with the Farm Planning Advisory Group. As of the writing of this report, 544 campesinos have been trained in agricultural mechanization and farm management.

Training began late in project execution (mid October 1979) because of organizational problems in the Ministry of Natural Resources, the executing agency.

For all of these activities, progress in relation to design was slow during the first two years. The Farm Planning Advisory Group had difficulties gaining the support of the regional offices of GOH institutions. The Capital Investment Fund could not be disbursed rapidly because of few investment opportunities, organizational problems in the Bank, and availability of other funds that were to be disbursed before using the Capital Investment Fund. The Farm Planning Advisory Group, which developed farm plans for 264 group farms compared to a target of 250, did not develop any plans for individual farms compared to a 150 target. This was due to the difficulty of locating small farmers who wished to participate in this project. By and large, it was found that the independent small farmers did not wish to do the

the campesinos targeted for training were trained but no extensionist training and no artisan training took place. The repeated shifting of extension managerial personnel, the lack of clarity with respect to organizational and personal responsibilities and the lack of strong top-level management control that accompanied the frequent reorganizations of the extension service all combined to disrupt the planned extensionist training program. Beset by competing priorities and given no push by management, extension service managers were either ill-equipped or uninterested in naming personnel for training. As a result, this training activity did not meet projections. Training of artisans became part of the Rural Technologies R&D effort and will be carried out under that activity.

14. Evaluation Methodology: The evaluation was carried out for three different periods of project execution and includes three separate reports: An annual evaluation by the Farm Planning Advisory Group for 1977 - 1978 completed in July 1979; a special evaluation of organization and administration in November 1979; and a final report by the Project Coordinator 1977 - 1980, completed in October 1980. The purpose of the evaluation was threefold: to measure progress, verify project hypotheses, and improve implementation.

The criteria for the evaluation included comparing achievements with targets in the project paper and project agreement, identifying obstacles to achievement of targets, paying special attention to organization, administration and the validity of assumptions made during project design. We also looked at benefits accrued to our target groups, small farmers and to the Public Agricultural Sector. Data was collected from Project files including progress reports, farm plans, trip reports, and memoranda of conversations and minutes of meetings as well as from Bank records and interviews with campesinos. The Farm Planning and the Capital Investment Fund activities were studied in more detail than the training activity because more had happened under those activities which had begun earlier than the training. The principal agencies participating in the evaluation were the Ministry of Natural Resources and BANADESA with INA contributing information.

15. External Factors: The basic concept of the project is excellent. The premise that most new multifamily farm units established under Honduras' Agrarian Reform program have the essential land and labor available and potential managerial capability but lack capital investment and an effective farm plan is true. The strategy for providing capital for investment, technical assistance and training, however, was based on certain assumptions that are no longer valid and when coupled with weaknesses in the Project design caused delays in project execution. The project organization, its lines of authority and the mutual interests of participating GOH institutions were described and established without analyzing the feasibility and jurisdictional implications. As a result, the Project has been seen as an autonomous national project, i.e., an independently funded mini-ministry of Natural Resources with higher paid contractors doing similar work as lower paid GOH civil servants. The success of the Project has more depended upon informal cooperation and goodwill because of the personalities involved rather than a decision making and organizational structure within the Ministry of Natural

Resources that fitted the project activities into overall institutional objectives and strategies.

It was assumed that the Pan American Agricultural School (EAP) was the most appropriate organization for carrying out the research and development of appropriate technologies. To this end, a contract was signed. The EAP not only found itself unable to carry out the work but even considered it detrimental to the image of the school i.e., as a political, international institution it should not assist GOH activities that benefit directly a controversial agrarian reform program. The institutional capability and political will of EAP was non-existent. More than a year of work was lost when EAP finally requested and obtained release from its contractual obligation.

The assumption that a great demand for investment credit went unmet and that farmers could develop their managerial capability if credit was made available has been proven to be true. It is not, however, a valid assumption that 250 farm groups could absorb \$8.0 million in investment credit based on farm plans that would require technical advisory services throughout their execution. It was found impossible for the project to provide follow up technical assistance, as designed, to half that number. It was also assumed that the GOH would make capital transfers to the Agricultural Bank to establish the Capital Investment Fund in a timely manner - an action that took more than one year from the signing of the Loan Agreement.

All of these factors contributed to the Project falling short of expectations.

16. Inputs: The quality, quantity, and timeliness of technical services, and commodities have been adequate. Credit availability was, as mentioned previously, delayed for more than one year and after becoming available, was frequently not managed effectively. For example, the Bank would approve a credit request based on a farm plan it considered valid and economically viable, yet approve an amount less than that called for in the plan. Disbursements on approved loans were not timely in many cases and also internal bank controls and accounting procedures were inadequate.

Training also appears to have been of lower priority than the other activities and began two years after the signing of the Project Agreement. To date, only campesino training has begun.

17. Outputs: Actual progress in the Project, when measured against projected output targets in the project design, falls short in two of the original four activities. While the Farm System and Evaluation Activity developed plans for 260 group farms, less than half of the group farms received credit for capital investment.

Thus, a complementary credit fund for working capital, rather than investment capital would play a more important role in financing the 260 group farms. The Capital Investment Fund has not kept pace with the Farm Planning Activity. Training of campesinos has reached more than the 500 projected but none of the targeted 100 extensionists, with the exception of 20 working directly with the project and receiving on the job training, have been trained. The courses programmed have not been given.

Much less than the projected amounts of investment credit has been used (\$2.3 million vs. a projected \$8.0 million).

Research and Development which has been divorced from this project for over a year produced several articles for testing.

In short, outputs are not on target.

While a slowdown in project implementation can be blamed to some extent on project management (less attention to training and R&D than to farm planning and credit), the greatest problem was in the project design. A significant management lesson learned during the project implementation is that interinstitutional agreements that assign personnel of several institutions to a single project are not likely to achieve objectives unless one institution has the absolute authority and logistic capabilities to define and monitor the duties and responsibilities of all project personnel written into the agreements and exercises that authority. The project had an interinstitutional agreement and personnel from three institutions, yet each person was subject to the orders of his supervisor in his respective institution rather than to project management.

18. Purpose: The purpose of the Project is to increase the productivity of small farmers by improving their access to choices of technology suitable to their factor endowments. The end of project status or conditions that will indicate that the purpose has been achieved are as follows:

- (1) The Public Agricultural Sector will be developing 100 farm plans each year for group farming enterprises and regularly preparing plans for individual family farms.
- (2) Flow of technical packages from the Farm Planning Advisory Group to Cococitas (now Regional Agricultural Cooperatives, CARS) to farm units for inclusion in farm plans.
- (3) Capital Investment Fund (\$8.0 million) will have been committed to approved farm plans by 1980 for organized farm groups.
- (4) Beneficiary farm units utilizing repair, maintenance and fabrication services of local small businesses financed by the Production Credit Guarantee Program (PCGP) and mobile units from the MNR.

5. Decision by GOH on continuation of farm planning advisory group and R&D component.

This set of EOPS is still a good description of what will exist when the purpose is achieved except for the Public Agricultural Sector regularly preparing farm plans for individual family farms and beneficiary farm units receiving services from local businesses financed by the Production Credit Guarantee Program (PCGP). The Public Sector will not expend resources for developing plans for small individual farms and the PCGP was cancelled early in Project execution (1978) and doesn't exist. The purpose of this project, however, can be achieved without the presence of these conditions.

19. Goal/Subgoal: Not pertinent at this time. Progress toward Goal/Subgoal achievement will be detailed in final evaluation of project.

20. Beneficiaries: The direct beneficiaries of the project, to date, are approximately 6,000 farm families, members of agrarian reform settlements that clearly are among the poorer 40% of the Honduran population who for the most part are subsistence farmers. The resulting increased productivity has been labor intensive with the beneficiaries working full time on their farms instead of as farm laborers for others for half the year. Beneficiaries have received an average of \$1,200 per family in loans, 80% of which have been repaid. The farm plans also include labor costs to be financed by the loans. While precise data on small farmer income prior to the project doesn't exist, estimates are in the magnitude of \$75-\$100 per year. The salaries paid members of group farms under each loan exceeds this amount by 100%. The salaries taken with the income received from sale of production implies a significant increase in income for the 80% of the beneficiaries that repaid their loans. Of the 20% that are delinquent, half of those received income from their activities above the salaries paid by their loans. Thus, a significant increase in income, difficult to quantify, has been assumed.

21. Unplanned Effects: Not pertinent at this time.

22. Lessons Learned: A similar project should be less ambitious and as much as possible verify assumptions. Linkages and coordination among institutions should be formal with only one institution having legal authority for the administration of project activities and be assigned the personnel and project support necessary to carry out this activity. Projects carried out in one region of a country offer better chances of success than country-wide projects. Good results with such a project will facilitate its expansion to other regions.

In terms of follow-on activities, a continuation of the farm planning advisory group under the direction of the Extension Service in close coordination with the lending institution, Banco Nacional de Desarrollo Agrícola is recommended.

23. Special Comments or Remarks: The Development Alternatives Inc. report offers recommendations that should be implemented. (Attachment I)

The final report of the Project Coordinator is attached. (Attachment I)