

PROJECT EVALUATION SUMMARY (PES) - PART I

Report Symbol: 1330-15

1. PROJECT TITLE  Agricultural Marketing and Credit Administration	2. PROJECT NUMBER 517-0136	3. MISSION/AID/W OFFICE Dominican Republic
	4. EVALUATION NUMBER (Enter the number maintained by the reporting unit e.g., Country or AID/W Administrative Code, Fiscal Year, Serial No. beginning with No. 1 each FY)  <input checked="" type="checkbox"/> REGULAR EVALUATION <input type="checkbox"/> SPECIAL EVALUATION	

5. KEY PROJECT IMPLEMENTATION DATES			6. ESTIMATED PROJECT FUNDING		7. PERIOD COVERED BY EVALUATION	
A. First PRO-AG or Equivalent FY <u>78</u>	B. Final Obligation Expected FY <u>81</u>	C. Final Input Delivery FY <u>82</u>	A. Total	\$ <u>320,000</u>	From (month/yr.)	<u>4/80</u>
			B. U.S.	\$ _____	To (month/yr.)	<u>3/81</u>
					Date of Evaluation Review	

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

A. List decisions and/or unresolved issues; cite those items needing further study. (NOTE: Mission decisions which anticipate AID/W or regional office action should specify type of document, e.g., airgram, SPAR, PIO, which will present detailed request.)	B. NAME OF OFFICER RESPONSIBLE FOR ACTION	C. DATE ACTION TO BE COMPLETED

9. INVENTORY OF DOCUMENTS TO BE REVISED PER ABOVE DECISIONS			10. ALTERNATIVE DECISIONS ON FUTURE OF PROJECT		
<input type="checkbox"/> Project Paper	<input type="checkbox"/> Implementation Plan e.g., CPI Network	<input type="checkbox"/> Other (Specify) _____	A. <input type="checkbox"/> Continue Project Without Change		
<input type="checkbox"/> Financial Plan	<input type="checkbox"/> PIO/T	<input type="checkbox"/> Other (Specify) _____	B. <input type="checkbox"/> Change Project Design and/or		
<input type="checkbox"/> Logical Framework	<input type="checkbox"/> PIO/C		<input type="checkbox"/> Change Implementation Plan		
<input type="checkbox"/> Project Agreement	<input type="checkbox"/> PIO/P		C. <input type="checkbox"/> Discontinue Project		

11. PROJECT OFFICER AND HOST COUNTRY OR OTHER RANKING PARTICIPANTS AS APPROPRIATE (Names and Titles)		12. Mission/AID/W Office Director Approval	
Kenneth Ellis, ARDO <u>AR</u>		Signature <u>Ronald F. Venezia</u>	
Rose Veith, PRG <u>RV</u>		Typed Name Ronald F. Venezia	
Charles Blankstein, CRDO <u>CB</u>		Date August 25, 1981	

13. Summary -

During the second year, the AIFLD/FENAC Agricultural Marketing and Credit Administration Program (USAID/DR OPG 517-0136) has continued to advance towards its stated goals and objectives. Although this progress has been steady, it has not reached in all cases the evaluation benchmarks established as interim measurements (see #17 Outputs, for performance/target analysis.) However, attainments have been observed in all areas, ie; in no case has there been retrogression.

A) Production Credit - This has been one of the program's most successful activities, with all benchmarks met or exceeded except one, which was partially achieved. The reduced expense in both time and money for obtaining loans has been so marked as to make the cost negligible in many cases. Whereas in the past all members had to travel and negotiate their loans individually, at present, in associations receiving group credit, no more than three members (president, treasurer and/or secretary) must make the trips. (Thus, cost equals: # trips x cost x 3 ÷ # members, instead of # trips x cost x # members; the savings in time is intrinsic to the equation.) Other charges and payments have also been reduced. (See #21, Unplanned Effects.) In those cases where associations have been unable to receive group credit, the expense in obtaining loans has increased, principally owing to higher transportation costs. (See #15, External Factors, and #22, Lessons Learned).

B) Marketing System - To date FENAC's efforts in marketing have concentrated on coconuts (for local and international markets) and copra (for local markets). The amount marketed during the past year was \$140,000.00 with a net profit of \$4,950.00. The major factors which contributed to low profit margins and the inability of FENAC to branch out into other products has been transportation costs and limited working capital (see #15, External Factors, #16, Inputs and #22, Lessons Learned). Another contributing factor to the moderate growth of the marketing program has been personnel problems, which appears to be resolved at present (see #23, Special Comments ...). Overall, the marketing aspect of the program, although not reaching its pecuniary objectives, has been very positive with regards to FENAC's ability to meet present commitments and to establish a basis for future services to its members.

C) Expansion of On-going Program - In all areas of this activity progress has been substantial. The number of associations has grown considerably and the number of promoters increased. Of special note is the assigning of four female promoters and the active inclusion of females in the federation at regional and national levels.

D) Training Program and General Administration - All activities in this component have continued satisfactorily. Because of elections in December some new people have become members of the "Comite Ejecutivo Nacional", while others who received prior training were not reelected. This has produced a gap in the quan-

titative accomplishment of the indicators; however, the base is solid and the new members have received "on-the-job" orientation to past training activities.

14. Evaluation Methodology -

The purpose of this evaluation as included in the approved proposal is to establish the extent to which:

- a) short-term project goals and outputs are being met, (see #17, Outputs.);
- b) long range project objectives are being achieved, (see #13 Summary and #18, Purpose); and
- c) broader policy guidelines are being adhered to, (see especially #21, Unplanned Effects, #22, Lessons Learned).

The evaluation was carried out by an AIFLD Program Officer and reviewed and corroborated by appropriate USAID/DR officials of the Rural Development and Capital Development Offices.

15. External Factors -

The major external factor which has affected the project falls under the heading of banks and bankers. The effect of problems in this area has been felt both in the credit activities and marketing activities of the project.

a) Credit: The dichotomy in the federated association's borrowing patterns is, for the most part, a result of Banco Agricola's discrete operational structure, which undermines the benefits of a decentralized system designed to provide flexibility. Aside from the recurring liquidity problem experienced in all

regional and local offices at varying times and to varying degrees, and occasional problems with some bank employees (especially "cobradores"), the major detriment to resolving production credit needs of members has been the difficulty in establishing group credit as a matter of policy nationally.. In effect, each new bank administrator at the field level must be "educated" by the borrowers in the advantages, to the bank and the farmers, of group lending. There appears to be no institutionalized process in the bank which provides a continuum in criteria as personnel changes occur. In some regions the administrator is never convinced, in others there are few problems. The overall result is unsettling for planning on the Federation level as well as devastatingly cruel to the small farmer, whose subsistence equiperates precariously owing not only to the capriciousness of Mother Nature, but also to that of Mistress BAGRICOLA. This is especially true because of the considerable savings to the small farmer who is able to borrow under a group plan (see #13, Summary, 1; equations: #21, Unplanned Effects). Also it should be noted that the project's success in meeting benchmark, 1.a) - Percent Loans Received Late, is a cosmetic amelioration; fifty percent of the loans are still received late; resultant increases in cost to the small farmer (especially the non-group borrower) here are compounded, firstly because of the repeated trips that must be made to see if the funds are available (the bank managers are usually unable or unwilling to be precise with reference to their liquidity), secondly because most all farmers must revert

to usurers to fill at least some of their credit needs and thirdly, because charges "de tramite" and other payments are collected at the time the loan is solicited, and are not refundable if disapproved, or if funds do not become available, or become available "ex post facto" (see #21, Unplanned Effects).

b) Marketing: The unavailability of working capital has seriously affected the federations marketing activities. Since the profit margins are low, earnings considerable enough to increase working capital will probably not keep pace with inflationary trends at all market levels (especially transportation). Produce for export shipment usually uses almost all available capital, and a 4 to 6 week delay is experienced before payment is received, thus paralyzing operations for that period. Competition and farmers' needs require that cash be on hand for purchasing. To date there has been no success in establishing business relationships with private sector banks. The Banco de Reservas approved three months ago a \$25,000.00 loan for working capital, but has not been able to deliver the funds to date.

#### 16. Inputs -

a) Marketing requires the ability to deliver a product to the selling point at the best advantage. To date, due to FENAC's dependence on an outside delivery system, the quality of the marketing program has suffered. FENAC is able to buy its members produce, but must depend on the same middlemen who bought and transported it previously, to deliver it. Thus, FENAC's marketing program to date has merely eliminated certain risk elements to the

truck owner; he still controls the central cost raiser. Without its own trucking, FENAC becomes an additional middle man: the trucker - intermediario's role is reduced to transport only.

b) Working capital limitations have limited to a great degree the operations of FENAC's marketing program. "Campesino" sellers demand cash, and turnover can be slow especially given the above mentioned problem. In effect working capital must be increased and the only sure source is the private sector which to date has not demonstrated an interest in the inherent risk.

17. Outputs -

Second Year (4/80-3/81)

Evaluation Bench Marks: OPG 517-0136 (USAID/DR - AIFLD)

Goal: Fifteen (15%) increase in average gross income from agriculture and related activities.	<u>Base 2/79</u>	<u>2nd Year Target</u>	<u>Performance 3/81</u>	<u>Performance Target*</u>	<u>Comments</u>
	1200	1320	Not evaluated	-----	-----
<b>Objectives:</b>					
<b>I. <u>Production Credit Program:</u></b>					
a) Percent loans received late.	75%	50%	50%	1	This varies from area
b) Average trips required to negotiate loans.	5.3	3	***	1+++	-----
c) Average cost of negotiating loans.	\$11.00	\$7.00	***	1+++	-----
d) Percent members using institutional credit.	45%	75%	75%	1	-----
e) Number of associations receiving group loans from Banco Agricola.	18	30	70	2.3	-----
f) Number of associations with unsupervised lines of credit.	0	25	2	.08	Juan Baron, Palenque
<b>II. <u>Marketing System:</u></b>					
a) Volume Marketed through FENAC (\$000).	65-70	500	370	.74	-----
b) Loans for working capital received from state or commercial banks.	0	50%	\$10,000.00	?	-----

\*P = 1 (achieved); (+) 1 (Exceeded); (-) 1 (Partially Achieved)  
T

17. Outputs - (con't)

Second Year (4/80-3/81)

Evaluation Bench Marks: OPG 517-0136 (USAID/DR - AFPLD)

Objectives: (con't)

	<u>Base 2/79</u>	<u>2nd Year Target</u>	<u>Performance 3/81</u>	<u>Performance Target*</u>	<u>Comments</u>
<b>III. <u>Expansion of On-going Program:</u></b>					
a) Number of dues paying members.	1000	2,500	1,500	.60	-----
b) Number of associations in existing areas.	73	90	86	.95	-----
c) Number of associations in new areas.	0	40	37	.92	-----
d) Number of female promoters.	4	8	8	1	-----
e) Number of agricultural promoters.	20	75	50	.66	-----
f) Number of female promoters.	0	1	4	4	Voluntary basis.
<b>IV. <u>Training Program:</u></b>					
a) Members capable of managing funds and receipts in marketing and farm supply centers.	3	20	18	.90	-----
b) Leaders capable of exercising control and supervision over professional employees.	0	10	8	.80	-----

\* $\frac{P}{T}$  = 1 (achieved); (+) 1 (exceeded); (-) 1 (partially achieved)

## 17. Outputs - (con't)

Second Year (4/80-3/81)

Evaluation Bench Marks: OPG 517-0136 (USAID/DR - AIFLD)IV. Training Program: (con't)

	<u>Base 2/79</u>	<u>2nd Year Target</u>	<u>Performance 3/81</u>	<u>Performance Target*</u>	<u>Comments</u>
c) Leaders capable of reading and interpreting financial statements.	0	10	5	.50	More training planned for 3rd year
d) National leaders capable of supervising work of activities.	0	10	5	.50	-----
e) Activists capable of supervising work of administrators of marketing and farm supply centers.	0	3	2	.66	-----
f) National leaders capable of evaluating investment and other economic opportunities.	0	15	3	.20	Training planned for 3rd year
V. <u>General Administration:</u>					
a) Membership capitalization (federation level) (\$000)	0	25	21.6	.50	-----
b) Management functions performed without outside assistance.	-	**	1. 100% 2. 50% 3. 50% 4. 100%	.75	-----

\*P = (achieved); (+) 1 (exceeded); (-) 1 (partially achieved)

- \*\*1. budgeting  
2. short term planning  
3. internal audit.  
4. cash flow

13. Purpose -Projected EOPS (3/82)1) General Administration:

- |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         |                                                                                                                                                             |
|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <p>a. The Manager and his professional staff will be in place and fully competent to discharge their respective responsibilities.</p> <p>b. The Federation will have established an acceptable "track record" with regard to its loan payments, and it will be recognized as a good credit risk by national and international credit institutions.</p> <p>c. The Manager and staff will have developed the capacity to plan, budget, and execute all service and educational programs, without direct supervision from the supporting agencies, USAID/DR and AIFLD.</p> | <p>a. The original manager was replaced in 2/81, and a new one is now in place.</p> <p>b. Semi-completed. Manicera loan received.</p> <p>c. In process.</p> |
|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------|

2) Production and Credit System Reorganization:

- |                                                                                                                                                                                                                                                                                                                                                                                                                                                   |                                                                                                                                                                                                       |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <p>a. Credit and supervisory committees will be organized and functioning in all "charter member" associations and in an additional 50 associations currently in promotion.</p> <p>b. All presently affiliated associations will have "graduated" from the Credito Supervisado Program (CS) to group lines of credit from the Banco Agricola</p> <p>c. Another 50 associations will be receiving supervised group credit from the CS program.</p> | <p>a. Committees are organized and functioning in 35 associations.</p> <p>b. In flux.</p> <p>c. 70 associations receiving group credit (does not mean that credit is received in timely fashion).</p> |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|

3) Marketing Services:

- |                                                                                                                                                                                                                                     |                                                                 |
|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------|
| <p>a. The Federation will have established itself as the sole marketing agent for the 42 chartered associations, and it will be extending these services on an individual-by-individual basis to an additional 50 associations.</p> | <p>a. 25 associations now served by FENAC in this capacity.</p> |
|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------|

b. The Federation will have established a minimum of two regional marketing centers, one in Sanchez and the other in La Vega.

c. FENAC will have negotiated financing for and begun construction on a combination rice mill-coconut processing factory.

4) Executive Committee and Paratechnicians (Activistas) Training Program:

a. The Executive Committee (EC) will be capable of reading and interpreting financial statements.

b. The EC will be competent to evaluate major loans or investments and assets, in a broad sense, their impact on the economic welfare of the Federation and its affiliates.

c. The EC will be knowledgeable as to what constitutes a sound system of financial controls and as to when such controls are being violated.

d. The EC will be able to recognize financial mismanagement or malfeasance and know which corrective measures are available and appropriate.

e. The EC will be capable of setting board policy objectives in all operational areas.

f. Four presently employed and six newly hired "activistas" will be qualified to accept responsibilities in the areas of agricultural technical assistance, credit analysis, financial management, project planning and promotion and education of new groups.

b. One center (Sanchez) in full operation.

c. Copra processing established. Rice postponed. Prefeasibility study completed for establishment of yuca processing for farina.

a. to e. Courses have continued in this area with mixed results. Elections in December caused replacement of some EC members previously trained.

f. Eight male and four female activists presently occupied in these areas. To date the female activists are working on a voluntary basis.

19. Goal/Subgoal - (USAID/DR)

20. Beneficiaries -

The immediate beneficiaries of this project are the more than 5,000 Dominican farmers and family members associated with FENAC, with an estimated equal number currently in promotion. The average FENAC member cultivates 2.0 hectares and derives an income of approximately \$1,200 per year from agriculture and related activities.

21. Unplanned Effects -

The principal unplanned effect of this project (in generic terms) has been the consequence of group action with regards to modifications in Bank Agricola procedure. 1) The 1% surcharge for "derecho de tramite" has been eliminated where group credit has been established.

2) The INDRHI charges, or flat rates of RD\$42.00 have been eliminated where no water is available, as well as the \$1.00 charge per tarea for "limpieza de canales" where the "parceleros" did the cleaning. In some areas the INDRHI rates of \$5.00/tarea continue; although no water is available. Payment is necessary for approval of a loan, without a corresponding degree of surety of liquidation.

22. Lessons Learned -

a) The key to marketing development is transportation. Without this the marketing operation will always be dependent on the intermediaries who controlled transportation from the beginning

anyway.

b) An independence from governmental banks must be established, the other concerns of governments, preclude them from developing the most favorably strategies for their own procedures. Somehow, a relationship must be established with the private sector, which not only guarantees their investment but also justifies the loan made to the small farmer. The obvious answer is through federations of small farmers but parochial prejudices still preclude private sector operations regardless of available statistics of rentability.

23. Special Comments -

Some difficulties have been encountered with professional employees who tend to adopt paternalistic or even arrogant attitudes towards their employers (FENAC members). In two cases employees have been dismissed. At present, the problem seems to be resolved; during the interviews of new employees a major degree of emphasis was placed on the nature of working with and for "campesinos", and each candidate was evaluated on his perceived ability to work effectively with them.