

**PROJECT ASSISTANCE COMPLETION REPORT**  
**PROJECT 519-0312-G-00-6376-00**  
**RURAL SMALL ENTERPRISE AND COOPERATIVE DEVELOPMENT**  
**TECHNO SERVE, INC (TNS).**

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I. SUMMARY OF THE PROJECT

The Project began on May 28, 1986, and ended May 31, 1990. The Project was designed to strengthen agrarian reform and non-reform cooperatives and the institutions that support them by assisting cooperative enterprises to improve their management and profitability; provide technical and management assistance to FESACORA to become a financially viable institution (objective dropped later in the life of the Project); and assist other private and public agencies to offer better services to cooperatives.

A. Purpose of the Project

The purpose of the Project was to increase rural employment, income and production through the development of self-help enterprises and assistance to strengthen local institutions which serve these enterprises. More specifically, the objective of this Project was 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.

B. Project Components

During the period May 28, 1986 to August 1988, TechnoServe's efforts and objectives were to be directed to five principal program areas:

1. 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. 11 newly selected cooperatives would also receive this type of assistance.

2. Cooperative Enterprises Outside the Reform Sector

TNS 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.

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

TNS was to assist FESACORA in: (a) training the board of directors and federation officers, as well as officials from member cooperatives; (b) identifying training requirements; (c) developing FESACORA's working relationship with financial institutions to facilitate timely credit delivery to member cooperatives; (d) participating in the Instituto Salvadoreño de Transformación Agraria (ISTA) initiated program designed to place qualified managers and accountants on all Phase I farms; and (e) becoming a financially viable institution.

4. Assistance to GOES and Private Sector Institutions.

TNS was to reinforce its relationships with other institutions, both public and private, working with cooperative and enterprise development. Public institutions included ISTA, Ministerio de Planificación, the banking system, and Ministerio de Agricultura y Ganadería.

5. TechnoServe/MAG Linkage

The linkage between TNS and MAG's technical assistance program was to be strengthened in order to promote replicability of its methods and techniques.

On August 11, 1988, the Cooperative Agreement was amended to (1) extend the Project until March 31, 1990; (2) increase A.I.D. funding to the Project by \$1,450,000, from \$3,870,000 to \$5,320,000; and (3) revise the "Project Description" to reflect the activities to be carried out between 9/30/88 and 3/31/90. Without modifying the purpose of the Project or the general methodology used by TechnoServe, this amendment changed program objectives to reflect the emphasis on direct assistance to agrarian reform cooperatives as opposed to indirect assistance through public and private sector institutions working with cooperatives, in the following way: (1) discontinue support to FESACORA; (2) reduce technical assistance to GOES and private sector institutions; (3) limit support for linkages with MAG; and (4) assist cooperatives to meet the requirements of export-oriented agribusiness.

C. Analysis of the Present Status of the Project

The Project successfully ended. No further activities were financed beyond PACD.

## II. FINANCIAL STATUS

	<u>OBLIGATIONS</u>	<u>EXPENDITURES</u>
1. Personnel	\$ 3,004,100	\$ 3,004,100
2. Travel/Allowances	555,400	555,400
3. Office Expenses	409,700	409,700
5. Other Direct Expenses	337,000	337,000
6. Evaluation	48,390	45,273
7. General & Administrative	698,800	698,800
8. Capital Expenditures	265,000	265,000
PROJECT TOTALS	\$ 5,318,390	\$ 5,315,273

## III. PROJECT ACCOMPLISHMENTS

### A. Project Status

	<u>PLANNED EOPS</u>	<u>ACCOMPLISHED</u>	<u>% ACC</u>
1. Growth in share capital (\$000)	200	210	105
2. Increased Coop Earnings (\$000) *	400	602	151
3. Net Employment Increase(FTE)	10,000	7,368	74
4. Institutions Strengthened	6	6	100

### B. Major Outputs

	<u>PLANNED LOP</u>	<u>ACCOMPLISHED</u>	<u>% ACC</u>
1. Cooperatives graduated **	17	20	118
2. Cooperatives assisted	36	36	100
3. Project requests reviewed	48	52	108
4. Project agreements	64	96	150
5. Diagnostic studies	183	282	154
6. Business plans prepared	133	177	133
7. Business plans implemented	98	116	118
8. Training programs completed	28	58	207
9. Activities with private institutions	32	33	103

## IV. EVALUATIONS AND AUDITS

### A. Evaluations

An Evaluation of the activities of TNS under Cooperative Agreement No.519-0312-7-00-6376-00, was carried out by Checchi and Company Consulting, Inc. in October of 1989, by a three person contract team, to appraise progress in implementing the Project, to identify elements constraining its successful execution, and to report lessons learned about methodology used by TNS. Major

\* Increased earnings is the accumulated sum of the changes in net profits of the cooperative enterprises assisted.

\*\* Cooperatives are graduated when they reach certain minimum administrative standards.

findings of the evaluation are: (1) Most of the project implementation output indicators show that LOP targets have been met; (2) the TNS 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, (3) the overriding constraints to the successful conversion of the target group of cooperatives into self-managed, self-sustained agricultural enterprises are largely at the cooperative level.

#### B. Audits

An audit of TechnoServe, Inc. was conducted by Price Waterhouse, Certified Public Accountants, for the year ended December 31, 1987, to comply with OMB Circular A-110. The A.I.D. Office of the Inspector General reviewed the report and found it to be in compliance with the requirements of OMB Circulars A-110 and A-122.

Price Waterhouse regularly audits TNS financial activities.

#### V. SUMMARY OF LESSONS LEARNED

##### A. Lessons Learned

1. There must be active participation of the membership in the process of identification and diagnosis of the cooperative's problems. Full consideration must be given to both social and economic parameters. Membership should also participate in the planning process.

2. Project assistance must identify strongly with the perceived needs of the cooperative members and the success of the organization as a business enterprise.

3. 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 reaches the affected campesinos.

4. 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.

5. There also is a special need in projects of this nature, which can have important social and political impacts, to adequately keep the related policy making institutions informed - in this case the Ministry of Agriculture and the agrarian reform agency.

**VI. RECOMMENDATIONS FROM THE OCTOBER 1989 END-OF-PROJECT EVALUATION**

**RECOMMENDATION:** If policy and program objectives include increasing production from the agrarian reform sector over the short and medium term, USAID should give serious consideration to extending the current project (519-0312).

**ACTION TAKEN:** New 4-year, \$6.5MM Project, Rural Enterprise Development II (519-0382), was signed on June 28, 1990.

**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 MAG, and ultimately by a secondary level cooperative or federation.

**ACTION TAKEN:** Component 3. Assistance to GOES and Private Sector Institutions of the current Project (519-0382) addresses the above recommendation.

**RECOMMENDATION:** 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. TNS 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 TNS should investigate with Planificación y Evaluación de la Reforma Agraria (PERA) the possibility of generating a broader production and financial data base on all Phase I cooperatives to facilitate comparison with project results.

**ACTION TAKEN:** Rather than contracting an independent analysis of profitability and net worth trends, the Mission accepted the analysis prepared by TechnoServe and the evaluation team. MAG was reorganized shortly after the evaluation and PERA no longer maintains a data base on Phase I cooperatives. Although it has not been possible to change regulations governing eligibility and terms of office for cooperative officials, TechnoServe offers continuous training for board members.

## VII. POST-PROJECT MONITORING AND FOLLOW-UP ACTIONS

The continued technical assistance and training to reform and non-reform cooperatives provided by TechnoServe in production, farm management, accounting, financial management and marketing has been considered as valuable by the recipients and has had a special impact in achieving self-managed, self-sustainable enterprises. An evaluation carried out in October, 1989, found that TNS implemented the Project successfully and recommended that A.I.D. should continue providing funds for the TNS program in El Salvador.

Based on the above, a new \$6.5 million, four year, Project was authorized - Rural Enterprise Development II, 519-0382 - on 6/27/90 to continue with the activities of Project 519-0312.

All activities funded under Project 519-0312-G-00-6376-00 - Rural Small Enterprise and Cooperative Development, TechnoServe, Inc. (TNS), concluded on 5/31/90.