ANNEX II

FINAL EVALUATION OF THE

RURAL ENTERPRISE DEVELOPMENT II PROJECT

(NO. 519-0382)

(TECHNOSERVE)

ACRONYMS

AID	Agency for International Development (U.S.)
CLUSA	Cooperative League of the U.S.A.
CONAPLAN	National Council for Economic Planning and Coordination
EEC	European Economic Community
FEDECOPADES	Federation of Agricultural Development Cooperatives
FUSADES	Salvadoran Foundation for Economic and Social Development
IFAD	International Fund for Agricultural Development
ISTI	The Salvadoran Agrarian Reform Institute
MZ	manzana = 0.7 ha
MNPLAN	Ministry of Planning
NGO	A private, non-profit, non-government organization
NTAE	Non-Traditional Agriculture Export Products
PROESA	Association of Salvadoran Producers and Entrepreneurs
PROEXSAL	Salvadoran Producers and Exporters Organization
RED-II	The Rural Enterprise Development II Project (No. 519-0382)
SMEs	Small and medium enterprises
SARs	USAID's semi-annual reports
SRN	National Reconstruction Secretariat
TA	Technical assistance
UCAFES	Union of Coffee Cooperatives
UCS	Union of Salvadoran Small Farmers
UCRAPROBEX	Union of Coffee Producers, Processors and Exporters
USAID	United States Agency for International Development

RURAL ENTERPRISE DEVELOPMENT II PROJECT EVALUATION REPORT

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EXECUTIVE SUMMARY

The Rural Enterprise Development II Project (No. 519-0382) began on June 28, 1990 with the signing of a Cooperative Agreement between USAID/El Salvador and TechnoServe, Inc. in the amount of $6.5 million. This Agreement funded TechnoServe's rural cooperative development program for an additional four-year period and continued a relationship with USAID which began in 1978. The Project goal was to increase rural employment, income and production. Its purpose was to develop self-managed rural enterprises, and to assist institutions which serve these enterprises. When the Agreement was extended for an additional (fifth) year, the objectives of TechnoServe's program were expanded to cover the promotion of non-traditional agricultural export products (NTAEs). The final completion date of the Project was April 30, 1995.

Major conclusions and lessons learned from the Project are shown as follows. Since the Project has been completed, no recommendations are made.

MAJOR CONCLUSIONS

- TechnoServe has achieved or exceeded the performance targets established in the Cooperative Agreement. However, in view of the method used by TechnoServe to measure its performance, it is unclear how many *new* benefits were generated.

- The evaluation team attempted to analyze the impact of TechnoServe's efforts by tracking several indicators: sugar and coffee productivity, cooperative profits, cooperative net worth, cooperatives' managerial capacity, and employment for men and women. Results were inconclusive.

- TechnoServe's impact on the production and export of non-traditional crops was small, but the requirement was introduced during the fifth year of the project. Neither objectives nor performance indicators were established for NTAE crop production under the new requirement.

- TechnoServe has successfully assisted its clients to achieve a degree of organizational maturity which is an important element of sustainability. Primary benefits have resulted from the installation of management information, control, and planning systems, including basic accounting and budgetary control procedures. These basic management development efforts have paid off over the long term. For example, many of CLUSA's successful cooperatives currently producing and exporting non-traditional crops have been assisted by TechnoServe.

- The problem of frequent changes in cooperative leadership was a major obstacle to the successful completion of TechnoServe's program. TechnoServe's investments in time and energy for institutional strengthening of the cooperatives were often lost with the arrival

of new cooperative management. TechnoServe has had to dedicate too many of its resources to overcome this problem.

LESSONS LEARNED

Since the Project has ended it would be superfluous to make recommendations, thus a look at lessons learned:

- A project's goals, strategy, performance measures, and indicators should be consistent. TechnoServe stated that its goals were to increase rural employment, income and production through working with self-managed enterprises. Results cannot be measured because performance measures were designed to track process, not progress.

- The problem with working toward a standard set of broad goals is that there may be occasions in which these goals and the strategy for achieving them become inconsistent. TechnoServe's strategy for institutional development of client cooperatives was to help improve management systems and to control costs. Given this strategy, employment could be expected to decline, at least in the near term.

- When an environment that cannot be changed adversely affects progress , it may become necessary to change the strategy for Project implementation. This was particularly applicable to the problem of rotating cooperative leadership. The evaluation team heard repeatedly that frequent turnover of cooperative decision makers meant that the cooperatives either could not graduate, or otherwise would drop recommended policies once the board of directors changed. TechnoServe could have made stable management a pre-condition for providing services. Possible solutions might have been to insist, as part of the agreement with a cooperative, on their providing stable management for a fixed period of time, or to nominate a permanent steering committee to manage crop production.

RESPONSE TO REVIEWER'S COMMENTS:

The draft evaluation report was circulated to USAID Officials as well as to the management and staff at TechnoServe who were involved in implementing the Rural Enterprise Development Project. In most cases the final report was modified as appropriate to include the additional information provided by the reviewers. In other cases their comments are shown as footnotes to the relevant section of the text. In all cases the evaluation team has attempted to fairly reflect the comments of the reviewer in the final evaluation report.

TechnoServe's response to the major conclusions of the report are shown in the Attachment.

I INTRODUCTION

A. PROJECT BACKGROUND

The Rural Enterprise Development II Project (RED-II) (No. 519-0382) was initiated on June 28, 1990 with the signing of a Cooperative Agreement between USAID/El Salvador and TechnoServe, Inc. in the amount of $6.5 million. This Agreement funded TechnoServe's rural cooperative development program for four additional years, and continued a relationship with USAID which began in 1978. The original completion date for the Project was May 31, 1994. On April 25, 1994 the Agreement was extended for another year at no additional cost to USAID, which moved the final completion date to April 30, 1995.

The Project goal was to increase rural employment, income and production. Its purpose was to develop self-managed enterprises, and to assist institutions which service these enterprises. Project activities were geared to strengthen cooperatives formed under El Salvador's Agrarian Reform programs as well as traditional cooperative enterprises in the rural sector. Over the life of the original four-year project, it was planned that TechnoServe would provide technical assistance and training to fifty cooperatives.

The overall objective of the Project was to convert a target group of agricultural cooperatives experiencing moderate to serious management and/or production problems into profitable self-sustained, self-managed enterprises.

Specific objectives to be accomplished were the following:

a) To substantially improve the profitability of agricultural enterprises serving low income people by reorienting their activities or by the introduction of innovative business practices.

b) To strengthen the management capabilities of the assisted organizations by providing comprehensive technical assistance.

c) To further increase the earnings of rural enterprises by providing training programs to strengthen the second-level cooperative federations and other institutions serving these enterprises.

d) To disseminate TechnoServe's knowledge of enterprise development to the benefitting organizations.

e) To support other, related organizations working in rural enterprise development with technical assistance and training programs.

Targets were established for these objectives and expressed as expected Project outputs.. A comparison of planned and actual accomplishments is shown in attached Tables 3 and 4.

At the time when the Agreement was extended for the final year, TechnoServe's program objectives were expanded to include the promotion of non-traditional agricultural export products (NTAEs). Three additional objectives were added:

f) TechnoServe was required to emphasize NTAE production and the development of cooperative enterprises capable of their production.

g) TechnoServe was required to coordinate NTAE promotion with other organizations such as the Salvadoran Foundation for Economic and Social Development (FUSADES) and the Cooperative League of the U.S.A. (CLUSA).

h) TechnoServe was also required to collaborate with national and international organizations to develop an institutional structure for the sustained promotion of NTAEs.

Specific targets were not set for the additional requirements.

The original Cooperative Agreement specified counterpart funds amounting to almost $2.2 million would be provided by TechnoServe. Of this amount, $697,000 in cash was to be provided by donations from third parties and supplemented by service fees collected from client cooperatives. The remaining amount ($1.5 million) was the value of in-kind services to be provided by the Project participants. Attached Table 1 compares the budgeted and actual expenditures for the entire Project.

1. TechnoServe

TechnoServe is a non-profit corporation based in Norwalk, Connecticut. The organization works with agricultural cooperatives, agro-processing companies, credit and loans associations, and technical and commercial service enterprises. TechnoServe attempts to improve the economic and social well being of low income people in developing countries through an integrated program of enterprise development, focused on productivity improvement, and increased jobs and income. Its programs are supported by contributions, and by fees earned from project management services.

The local TechnoServe office operates in El Salvador as a branch of TechnoServe International, and is legally constituted as an "International Mission". TechnoServe began its El Salvador operation in June, 1975 under a five-year contract with the National Council for Economic Planning and Coordination (CONAPLAN), the predecessor to the current Ministry of Planning (MIPLAN). Under the agreement with CONAPLAN, TechnoServe was obligated to develop between four and eight self-help producer organizations annually, dedicated to the production of

either agricultural crops, livestock, or handicrafts. The original program was financed jointly by CONAPLAN (50%) and TechnoServe (41%), with a small percentage of its costs offset by modest collections from the benefitting organizations (9%).

TechnoServe began working with USAID/El Salvador in 1978. The first grant agreement provided $680,000 in funds for cooperative development, which enabled that the CONAPLAN program be expanded. Subsequent Cooperative Agreements carried the program forward, and ended when the current Project (519-0382) was finalized in April, 1995.

A summary of USAID grants under the different Cooperative Agreements is as follows:

USAID GRANTS TO TECHNOSERVE/EL SALVADOR
($000)

GRANT NO.	DURATION	PURPOSE/TITLE	USAID FUNDING
519-0197	09/78-09/82	Rural Cooperative Development	680
519-0286	10/82-04/86	Rural Cooperative Development	3,250
519-0312	05/86-05/90	Rural Enterprise Development	5,320
519-0382	06/90-04/95	Rural Enterprise Development - II	6,500
	TOTAL AMOUNT		15,750

In addition to the programs carried out on behalf of USAID, TechnoServe has worked with a number of other international donor agencies, the Government of El Salvador, and numerous second-and-third-level cooperative associations. Activities are generally carried out in the field of rural enterprise development, and in some cases the funds collected from the collaborating organization have been used as counterpart funds for the USAID-sponsored projects.

TechnoServe's clients were those cooperatives created under both Phase I and Phase III of the agrarian reform program. Technical assistance and training was provided in farm management, accounting, production, marketing, and social development. Assisted cooperatives were producers of crops such as coffee, henequen, cattle, basic grains, vegetables, and other crops, with some potential to achieve the status of self management The selected cooperatives were expected to fall within the Salvadoran banking system's four-tiered classification of credit worthiness as category "B" or "C"[1]. Table 2 of the Attachment lists the cooperatives which received assistance from TechnoServe over the course of the Project.

[1]The banking system's highest classification, category "A" applies to cooperatives with demonstrated ability to manage both production and investment credit. A category "B" cooperative is one with a problem in either production or management, while a "C" cooperative has problems in both areas. Category "D" cooperatives have serious problems and are eligible only for short-term production credit. Therefore, the nature of TechnoServe's services under the Cooperative Agreement is thus more comparable to that of a rehabilitation program than to a traditional technical assistance program.

B. PREVIOUS EVALUATIONS

1. Checchi Consulting Co. Evaluation

A mid-term evaluation was not carried out for this Project. The most recent external evaluation of TechnoServe's activity was done by Checchi Consulting Co. of Washington, D.C., in November, 1989. This was the final evaluation of the previous Rural Enterprise Development Project which ended in March, 1990.

Major conclusions and recommendations of the Checchi evaluation were as follows:

a. Conclusions

i) TechnoServe's highly participatory approach to project assistance and training was uniquely appropriate to its required task. Its services were critically needed if a significant portion of the cooperative structure developed under Phase I of the agrarian reform program was to be retained.

ii) Measurement of impact of the Project on production, employment and income was difficult because data were skewed as a result of a severe drought; the length of time for cooperatives in poor condition to show positive results, and because some crops take 2 - 5 years to reach production maturity.

iii) The cooperatives themselves were the greatest constraint to their conversion into self-managed and self-sustaining agricultural enterprises. Root causes were that the beneficiaries - the cooperative members - came from one of the most disadvantaged groups in society, with low levels of education and literacy. Due to a long history of exploitation, cooperative members had a deep suspicion of strangers and government officials. Compounding the problem was continuing uncertainties in the agrarian reform process, and the perceived tenuous nature of the benefits achieved.

iv) A high rate of turnover within the leadership structure of the cooperatives was detrimental to the institutionalization of effective management skills. Also, the rate of development of management skills was found to be much slower than the development of technical skills.

b. Recommendations

i) The Checchi evaluation team recommended that the project be extended for at least 8-10 more years, with consideration being given to a shared development effort with the banking industry, the Ministry of Agriculture, DIVAGRO, and a second level cooperative federation.

ii) The team also recommended that three special activities be carried out:

- A special impact study should be made to track trends in profitability and net worth of cooperatives with more than two years' assistance.
- TechnoServe should recommend to USAID desired changes in government regulations to mitigate against excessive turnover of cooperative officials.
- USAID and TechnoServe should investigate the possibility of generating a broad production and financial data base to facilitate monitoring of the cooperatives' progress.

2. TechnoServe's Internal Evaluation of Impact

In an effort to identify its strengths and weaknesses and improve its methodology, TechnoServe recently conducted an internal evaluation of its performance in implementing the Rural Enterprise Development II project. The evaluation, although somewhat subjective, presented an honest look at the functioning of the institution in implementing the Project and recognized many of the shortcomings of its techniques for measuring progress. The results of the evaluation was based largely on client interviews.

a. Assisted cooperatives

The primary conclusion of the internal evaluation was that its client cooperatives rated TechnoServe with highest marks in the areas of administration, financial management, accounting and production. These are completely consistent with this evaluation team's field observations. Positive feedback on TechnoServe's performance was received equally from cooperative members and directors, non-affiliated professionals and members of the NGOs with which TechnoServe has worked.

Customer satisfaction was high in most cases, and 88% of the cooperatives interviewed gave TechnoServe an excellent or very good rating. With regard to the main thrust of the TechnoServe message, administration, it is interesting to note that 90% of "graduated" cooperatives rated TechnoServe high on administrative systems as an area of major value, whereas 71% of those cooperatives which were still in the process of management training rated it as the most important area of assistance. In spite of this high rating for management training, TechnoServe observed that weak cooperative business administration is perhaps the major limitation to their developing into viable enterprises. The major criticism of the TechnoServe program was that its training program reached relatively few members of the cooperative; an important weakness that TechnoServe recognizes.

b. Assisted cooperative unions

TechnoServe has worked closely with a limited number of second level cooperative institutions. Among which the principal recipients of TechnoServe technical assistance were i) The Union of Production, Processing and Export Cooperatives (UCRAPROBEX), ii) The Union of Coffee Cooperatives (UCAFES), and iii) The Federation of Agricultural Development Cooperatives (FEDECOOPADES).

UCRAPROBEX and UCAFES: TechnoServe provided assistance in several areas during their formative years, including:

i) Diagnostic analyses of strengths an weaknesses

ii) Advisory services on and design of financial and accounting systems, and their computerization

iii) Strategic development plans

iv) Formulation of operating norms

v) Financial/accounting feasibility studies for associated cooperatives

These institutions continue to maintain contact with TechnoServe and seek occasional technical assistance in its areas of expertise for specific analyses and studies.

In its self-evaluation, TechnoServe indicated that customer satisfaction was high, particularly in the area of administrative assistance. When asked in which area they would seek assistance from TechnoServe, all respondents indicated administration. However, it was noted that TechnoServe was not given the highest rating in the quality of its services nor its methodology. The principal suggestions for improvement in these areas were related more to presentation than to content and professional capacity, as indicated by the following examples of feedback received from these organizations:

i) Training should be less theoretical and more practical.

ii) Fewer documents should be required.

iii) The language used in TechnoServe documents and presentations should be more pedestrian.

FEDECOOPADES: One of the team members conducted interviews with the Federation of Agricultural Development Cooperatives (FEDECOOPADES) which provided supplementary

information to the internal evaluation. This situation was unique in that FEDECOPADES requested that TechnoServe train the former's field technical advisors in TechnoServe's methodology of enterprise development, with the intention of applying it to the majority of its associated cooperatives. This request came after FEDECOOPADES spent thirteen years with little success attempting to improve the operations of its' 51 member cooperatives. An internal analysis of those thirteen years led FEDECOOPADES to conclude that their extension agents were not capable of managing an integrated assistance program including production assistance, administrative and organizational definition and social development.

The view of the FEDECOOPADES Director on the results of TechnoServe's interventions are summarized as follows:

- The concept of managing the cooperatives as a business has become instituted within the cooperatives themselves, and by the members on their individual plots.

- The cooperative members have decided to employ professional managers in order to separate the economic from the social functions of the cooperative and to maintain administrative continuity in the face of periodic changes in the membership of the board of directors, and in senior cooperative management.

- FEDECOOPADES has adopted the practice of contracting specialized advisors to work at the cooperative level, whose efforts are coordinated by an in-house technician in collaboration with the cooperative manager. This has enabled the Federation to reduce costs by greatly reducing its permanent staff, and to target technical assistance based on specific, identifiable needs.

FEDECOOPADES has instituted this practice in thirty of its fifty-one associated cooperatives and plans to expand it to the remainder when resources permit.

II. ANALYSIS

A. SUITABILITY OF PROJECT DESIGN AND IMPLEMENTATION STRATEGY

The Rural Enterprise Development II Project was planned to be a continuation of TechnoServe's cooperative development efforts in which its' standard "package" of technical assistance and training would be provided to fifty additional cooperatives. Fifteen cooperatives receiving services from TechnoServe at the close of the previous project made a smooth transition to the current project, with no discernable difference in the level of service provided. In its fifth and last year the Project became linked to the overall USAID strategy of promoting non-traditional agricultural exports from El Salvador. Semi-annual status reports reflected USAID's expectations for NTAE development, stating that "The Project places emphasis on production and enterprise

development of NTAEs among coops; coordinates on-going activities in the promotion of NTAEs with CLUSA and FUSADES, and collaborates with other institutions in the development of long term institutional structure to provide sustainable promotion of NTAEs". However, this Project was not originally designed for NTAE promotion, and the requirement was simply added to the ongoing activity as it was drawing to a close. Furthermore, no targets or performance indicators were established. Not surprisingly, TechnoServe played a fairly limited role in NTAE development, and collaboration with other projects and institutions promoting non-traditional agriculture was not substantial.

B. ACCOMPLISHMENT OF PROJECT GOALS AND OBJECTIVES

1. Quantitative Targets

The Cooperative Agreement between USAID and TechnoServe established quantitative global targets for the project and outlined qualitative goals for TechnoServe's technical assistance to cooperatives. The quantitative targets can be broken down into two categories:

Intermediate targets (***means***), and
Final targets (***ends***).

Intermediate targets measure the scope and magnitude of TechnoServe's efforts to help its client cooperatives reach their targets. Attached Tables 3 and 4 summarize the intermediate and final targets established in the Cooperative Agreement and the degree to which they were achieved. It is important to note that achieving intermediate targets does not indicate Project effectiveness and impact, but rather that planned activities were carried out.

In the case of the intermediate targets, it is rather straightforward as to whether or not the planned levels were reached (see attached Table 3). TechnoServe has presented via its quarterly and semi-annual reports, information which permits a comparative summary of proposed targets and the levels achieved during project implementation.

Final targets (see attached Table 4) relate to employment, income generation and cultivated area. Not only are the numbers difficult to interpret, but their significance is conditioned by the following TechnoServe definitions:

i) Targeted levels of employment, income and area cultivated are equal to the sum of the initial levels encountered in the cooperative and **sustained** over the life of the Project ***plus*** the additional quantities **generated** through TechnoServe's interventions.

ii) Employment and income figures are **cumulative** and represent a summation of yearly values over the life of the project. For example, a permanent job which already existed,

or which was created in the first year of the project and continued (and was therefore sustained) for the entire five-year Project was counted as 5 person-years of employment.

iii) The total cultivated area for which TechnoServe "takes credit" is ***the sum of*** the cultivated area on cooperatives that were **directly assisted** by TechnoServe through technical assistance contracts as well as those areas within its **"sphere of influence"**. The latter corresponds to the area cultivated by member cooperatives of second-degree organizations which received assistance from TechnoServe, such as the Union of Coffee Producers, Processors and Exporters (UCRAPROBEX) and the Union of Coffee Cooperatives (UCAFES).

In the case of both the intermediate and final targets it is evident that TechnoServe has reached or exceeded the levels put forth in the Cooperative Agreement, given the above qualifying assumptions. Yet, there remains the question of how many ***additional*** benefits were generated and how well the recipient cooperatives were prepared as business enterprises to maintain their levels of production and income over the long run. TechnoServe's practice of combining initial and incremental figures for income and employment, and of using "direct" and "sphere of influence" areas cultivated as a surrogate for production makes it virtually impossible to judge the impact of TechnoServe's efforts.

2. Strengthening Client Cooperatives

The focus of the original Cooperative Agreement was on management development and did not include a mandate for TechnoServe to develop NTAEs. TechnoServe would evaluate the production options open to its client cooperatives, determine the best means for improving income and install an effective management system. In general, the cooperatives chose to stay with the traditionally dominant crops: sugar and coffee. The magnitude of production by TechnoServe-assisted cooperatives during the period 1990-1994 accounted for an average of 9.7% and 31.0% of El Salvador's production of sugar and coffee, respectively. Since both are primary export crops, particularly coffee, the importance of TechnoServe's efforts is obvious.

C. CALCULATIONS OF PROJECT IMPACT

In an attempt to extract meaningful data from the mix of initial and cumulative total values, the team selected five indicators which were used to calculate the incremental benefits of TechnoServe's interventions to a sample of cooperatives:

- Changes in production and crop yields of sugar and coffee
- Changes in cooperative profits
- Changes in cooperative net worth

- Measures of the cooperatives' managerial capacity
- Changes in employment for men and women

1. Changes in Production and Crop Yields of Sugar and Coffee

Additional production on TechnoServe-assisted farms could have resulted from either increases in the areas dedicated to a crop (or herd size in the case of milk production), improved productivity, or some combination of the two. While shifting land between crops and planting previously idle lands could reflect good farm management practices, it not evident that this was the case for the majority of assisted farms. In the aggregate, experience with the two principal crops produced on TechnoServe-assisted cooperatives demonstrates that a slight increase in area planted to sugar (12.7%) was offset by decreasing yields and that an increase in coffee output was gained through higher yields on essentially the same area. Attached Table 5 shows the changes in area, yields and production of these two crops on the cooperatives assisted by TechnoServe between 1990 and 1994.

An examination of some twenty-five "graduated" cooperatives with which TechnoServe had worked for two or more years showed mixed results for crop yields of the two selected crops. A comparison of sugar and coffee yields between a "base" year (1990/91) with the average results over the next three years (1991/2 - 1993/94) showed that for seventeen cooperatives which produced sugar during the period, five had increased yields, eight experienced decreases and two remained at the same level, with the end result that the weighted average change for the seventeen was essentially zero. A sample of fifteen coffee producing cooperatives showed that eight had increased yields, six registered decreased yields and one that displayed no change. The weighted average increase was 80 pounds per manzana which was a 27% improvement over the base year. This increase, however, could well have been the result of the exceptionally large 1992/93 harvest.

A similar picture is presented in attached Table 6, which compares sugar and coffee yields achieved by TechnoServe-assisted cooperatives with the national average yields for these two crops. While the production yields of TechnoServe's clients kept pace with national yields, the more important trends are that coffee productivity stagnated while sugar productivity decreased significantly. Unfortunately, and in fairness to TechnoServe, during the period of observation El Salvador suffered a significant drought and low coffee prices, both of which could account for much of the lackluster showing.

2. Changes in Cooperative Profits

TechnoServe's primary intervention in cooperative development was to improve management skills. This effort was complemented by production technical assistance for those crops grown by the cooperative. In general, the cooperatives did not change their production patterns as a

result of TecnoServe's interventions. Any change in the type of crops grown by the cooperative was based on an analysis of the farm enterprise, which seldom resulted in changes to cropping patterns. Only in a few notable cases was crop selection altered, such as the recommendation to abandon cotton production. The effectiveness of the "new" management skills of the participating cooperatives must be measured in light of this situation.

Within the limits of the quality of the data collected and the short period of observation, attached Table 7 presents a possible indication of the effects of better management. This compares profit levels in the 1989/90 base year with average profits achieved by twenty-five "graduated" cooperatives during the subsequent three-to-four year period. (A time period of either three or four years was selected for each cooperative in the sample, depending on the availability of data). It should be noted that many of the profit "increases" shown in Table 7 were in fact reduced losses, which also indicates a degree of success given the low initial level of entrepreneurial and management skills. As shown by Table 7, over half (52%) of the cooperatives showed substantially improved profitability over the three-to-four-year time period. Slightly more than one-fourth (28%) registered substantially lower profits compared to the base year, while one-fifth (20%) remained relatively unchanged.

3. Changes in Cooperative Net Worth

Another indicator of management effectiveness is change in the net worth. Attached Table 2 lists all sixty-five of TechnoServe's cooperative clients, and for those cases where information is available, tracks the changes in net worth from the time the client entered the program until the client left the program. Of twelve cooperatives for which data are available, eight cooperatives increased their net worth during their period of involvement, while four cooperatives registered a decline in net worth. It should be noted that many of the cooperatives that suffered large losses in net worth and/or significant decreases in profits during the period were heavily dependent on coffee production. Coffee prices registered historical lows during this period.

4. Meeting Production Goals

Another indicator of the impact of TechnoServe assistance on its' clients was their ability to meet their own production goals. As part of its management development methodology, TechnoServe would perform a thorough diagnosis of each cooperative which was the basis for a five-year operating plan, formulated jointly with the cooperative. Production and cost objectives were established in the plan for each crop or other production activity undertaken by the cooperative. Reaching the targets was dependent on the cooperative's willingness and ability to adopt both technical and management recommendations incorporated in the plan.

In almost all cases the targets were overstated in the five-year plans and were seldom reached in the period contemplated. Data were compiled for coffee, rice, and milk production for TechnoServe's entire program. The results are shown in attached Table 8. The table

demonstrate the difficulty that the cooperatives had in reaching the agreed-upon targets. In general a success rate of about 65% was achieved.

5. Employment Changes - Men and Women

Using data obtained from quarterly cooperative payroll reports, the team developed employment figures for 28 enterprises which were assisted by TechnoServe for at least 24 months. The first available payroll figures for each cooperative were compared with the latest available figures for that cooperative during the period January, 1990 - September, 1994. Payroll data were gathered systematically by TechnoServe for the period of time when the cooperative was an active client. After the cooperative "graduated", however, the tendency was to report this data for only one quarter per year. For this reason, as well as to offset seasonal changes in employment, only the figures taken from the same quarters were compared (e.g. first quarter of 1990 with the first quarter of 1994).

The results of this analysis are shown in attached Table 9. Employment declined by about one-third on the 28 cooperatives sampled, over nearly a four-year period. It is important to note, however, that this approach did not differentiate between permanent and temporary employment. It is possible that the reduction in overall employment may have been caused by a reduction in temporary employment and a greater reliance on permanent, better paid employees. Data were not available to confirm this temporary-permanent employment hypothesis, however.

Previous evaluations have noted that Agrarian Reform Phase I cooperatives often carried a significant amount of underemployed and redundant labor, which have adversely affected the financial health of the enterprises. The employment shifts we detected suggest that TechnoServe may have achieved some success in controlling labor costs. The bottom half of Table 9 suggests that management strategy may possibly play a role in the employment shifts. Those cooperatives which were considered to have achieved self-management status were much more likely to have reduced their employment than were those that had not achieved self-management status.

D. GENDER IMPACT

The project paper for the Rural Enterprise II TechnoServe project did not specifically identify women as being one of the targeted populations, other than to include equal opportunity among the criteria for enterprise selection. However the population targeted was low income populations and the means to assist them was primarily through strengthening cooperative enterprises. Clearly women figure prominently among the nation's lowest income populations, and are present in large numbers in the cooperative enterprises targeted. However, neither specific objectives nor targets according to gender were set for the Project.

With the exception of persons trained, project monitoring data as reported in the Semi-Annual Reports (SARS) were not dis-aggregated by gender. Data from SARs concerning training

activities indicate that approximately six percent of the 5,472 institutional trainees and 6,343 para-technicians trained were women.

Regardless of whether or not the project activities were designed to impact on women, it does seem clear that there were instances in which important impacts have been achieved in the way that women and men are perceived. In the case of a traditional cooperative from the non-agrarian reform sector which had received administrative, technical, and accounting assistance from TechnoServe, a woman who had received training in administration from TechnoServe eventually became the cooperative's administrator. In the view of the evaluation team member who visited the cooperative, she was the most effective administrator visited during the evaluation.

TechnoServe's approach to gender issues was to work toward providing equal participation for men and women in as many aspects of the cooperative enterprise as possible. This was reflected in an emphasis on increasing coffee processing, and in encouraging non-traditional agriculture, both being areas in which women play a large role. In their focus on improving cooperative administrative functions, TechnoServe urged the training and hiring of women. There were several cases of women accountants who were trained by TechnoServe. In the case of El Castaño cooperative, TechnoServe helped a predominantly women's cooperative develop into an agro-industrial enterprise. Finally, many of TechnoServe's field staff were women, providing both opportunities for professional enhancement and positive examples for cooperatives.

E. IMPACT ON THE ENVIRONMENT

The impact of the Rural Enterprise project on the environment has been neutral in most cases because the emphasis of TechnoServe was less on changing productive activities than on managing the farm enterprise. Nevertheless, TechnoServe has actively intervened in certain areas of production which had a positive effect on the environment. Courses in pesticide use and handling was one of the core topics of its training program, and when the cooperatives' production package included NTAEs, particular attention was paid to pesticide application standards.

The focus of TechnoServe's program on enterprise management gives particular attention to production economics. The use of economic criteria led TechnoServe to recommend changes in crop selection which benefitted the environment. For example, the economics of cotton production prompted TechnoServe to recommend that the crop be discontinued due to the large amounts of costly pesticides required for successful production. Livestock and sugar were often substituted for cotton which resulted in much improved conditions and a positive impact on the environment. In addition, when economically justified, TechnoServe supported the use of organic production systems.

F. IMPACT ON NTAE PRODUCTION

TechnoServe's approach was to examine the profitability of existing activities, and recommend changes where appropriate. Given this "rehabilitation" approach, it would be surprising to find an aggressive NTAEs promotional program. The addition of NTAEs to this Project came only during the last year, and did not appear to have a high priority. The team did visit some cooperatives where TechnoServe had assisted in the production of non-traditional agricultural crops. However, it was apparently the decision of the cooperative itself to grow the crops. TechnoServe helped them apply the same management tools and technical assistance to NTAE activities as they would have applied to any other venture. By the end of the project, TechnoServe reported that 2,381 hectares of non-traditional crops were grown by the assisted cooperatives, although it was not clear how much was actually being exported. There were 17 different products involved: baby corn, yucca, cucumber, papaya, coconut, cashew, peanuts, marigold, black-eyed peas, sesame, okra, papain, bananas, honeydew melon, shrimp, and fish. Neither was it clear whether these represented initial levels of production, or increases in production.

TechnoServe estimated that within the total cultivated area of the assisted cooperatives, some 20% of the producing area was dedicated to NTAE production.

G. SUSTAINABILITY OF PROJECT BENEFITS

The sustainability of benefits derived from the Project should be analyzed from three points of view: 1) The capability of TechnoServe/El Salvador to provide ongoing services to cooperatives without continued USAID support; 2) the financial viability of the cooperatives assisted by TechnoServe, and 3) the economic viability of technical assistance and training programs provided to rural cooperatives.

1. Sustainability of TechnoServe/El Salvador

While it was never contemplated in the Rural Enterprise Development II Project that TechnoServe would carry on beyond the end of the Project, the organization has developed a three-part strategy to ensure the continuity of its services: a) over the long term, the organization plans to create a trust fund which will cover the operating costs of a core staff organization; b) TechnoServe has trimmed overhead costs through staff reduction and is currently marketing its services as an experienced NGO capable of implementing development projects, and c) TechnoServe has sponsored the creation of a local NGO to ensure the continuity of cooperative development services in the event that TechnoServe should cease to function in El Salvador.

Trust fund to cover core operations: TechnoServe's general strategy for survival is to maintain a core staff which would not only ensure the permanence of the organization by marketing its services, but would also provide its institutional "memory". As new projects are generated by

the core staff, TechnoServe would contract for additional staff and consultants as needed to implement the new activity, who would be released upon completion of the work. TechnoServe estimates that a $2 million trust fund would generate approximately $250,000 per year, an amount sufficient to cover operating expenses for a core group of seven people. If an international donor cannot be found to help create the trust fund (TechnoServe submitted a request to USAID in November, 1994, for assistance to establish a $2 million fund, but the proposal was not accepted), then TechnoServe hopes to create the fund over the long term by allocating a percentage of its service fees toward building the fund.

New projects: When the RED-II Project ended in April, 1995, TechnoServe reduced its staff to the minimum level needed to carry out its remaining projects. In the interim period, TechnoServe has managed to survive from project fees generated by its' two remaining projects, and by bridging funds from TechnoServe International. The level of support from the parent organization is reported to be around $20,000 per month.

TechnoServe currently receives administrative fees from the National Reconstruction Secretariat (SRN) for implementing a project to provide training and credit to demobilized forces. The organization also receives service fees from the International Fund for Agricultural Development (IFAD) of Rome, Italy for administering a long-term cooperative development project..

TechnoServe is presently negotiating an agreement with USAID to implement a $700,000 pilot project to help create water user's groups on government-owned irrigation schemes in Atiacoyo. If the two parties can reach an agreement, the new project will begin in September, 1995. Counterpart funds pledged by TechnoServe International in the amount of $250,000 should cover most of TechnoServe/El Salvador's core operating costs until the project ends in early 1997. Additionally, TechnoServe is now preparing a proposal to the International Development Bank's Multilateral Investment Fund to fund an $8 million project for irrigation assistance as an expansion of the USAID pilot project.

FUSADAR: In 1993, twelve TechnoServe managers and staff members created the Salvadoran Foundation for Rural Development (FUSADAR). The foundation is a private, non-profit NGO which specializes in training services, technical assistance to agriculture, and credit to small and medium enterprises (SMEs). FUSADAR is envisioned as an organization which will work closely with TechnoServe in a mutually supportive manner. While FUSADAR's services are complementary to those offered by TechnoServe, the two organizations have become limited competitors. For example, FUSADAR was awarded a technical assistance contract by the Secretary of National Reconstruction (SRN) to administer a small and medium enterprise (SME) credit program for ex-combatants upon the expiration of a similar program administered by TechnoServe. FUSADAR was awarded the contract because it provides similar services at lower cost than TechnoServe. Many former employees of TechnoServe are employed by FUSADAR, and its service fees are lower since FUSADAR carries no home-office overhead burden, as does TechnoServe.

The conclusion of the evaluation team after a review of TechnoServe's strategy for survival is that if the contract with USAID for irrigation services is successfully negotiated, the El Salvador organization will likely scrape by - at least, until early 1997. However, its long term outlook is tenuous at best, and its survival over the long run will likely depend on whether or not it can obtain a major service contract with an international organization. TechnoServe appears to have been caught off guard by the completion of the RED-II Project, and apparently had not developed a long-term strategy for survival before the Project ended.

2. Sustainability of Assisted Organizations

Structural barriers to sustainability: TechnoServe provides "Integral Assistance" to its clients, combining training with integrated assistance in the management, organization, accounting, marketing, production, and social areas. When asked to assess TechnoServe assistance, technical assistance was reported to be easily understood, accepted, and implemented. Care had been taken to see that technologies recommended were appropriate for the situation, and cost efficient as well. Much the same was said in the case of accounting systems. However, due to the problem of rotating administrative counsels, the investments made in management assistance were often lost with the arrival of new cooperative management.

TechnoServe has been confronting this structural problem for years, and has developed a strategy to address it. By focusing on training a mid-level cadre of potential leaders as para-technicians, it was anticipated that future leadership would emerge from this group, and thus would adhere to TechnoServe's recommended course of action. However, there was still great concern among the cooperatives that future leadership rotations could undo much of the progress achieved. A second TechnoServe strategy to deal with this issue was to focus on the membership base and educate the members on the responsibilities of cooperative membership. This is an activity several cooperatives mentioned as being particularly necessary, even after TechnoServe's services had ended. This is a problem without simple solutions, and TechnoServe has had to dedicate much of its resources to ensuring continuity in its reforms once the cooperative has graduated.

Net-worth analysis: Over the course of the RED-II Project TechnoServe provided support services to sixty-five rural cooperatives. In the Salvadoran context, the concept of "sustainability" of cooperatives is a matter of degree - not a precise measurement. The reasons are that current government policy protects even insolvent cooperatives, and this policy distortion is compounded by the legal and political impossibility of foreclosure and seizure of land and other assets of insolvent cooperatives. The result is that many insolvent cooperatives continue to operate in one way or another, some in name only.

If the same criterion for bankruptcy in the Salvadoran private sector is also applied to the cooperatives, then a good indicator of financial solvency and therefore sustainability can be derived. Negative net worth ("patrimonio") is the standard for the private sector. Attached Table 2 shows the net worth of the assisted organizations as reported on their last available financial

statement. In some cases data are available to compare the latest results with the value of reported net worth when the cooperative entered the TechnoServe program. Of the forty-six cooperatives for which information is available, a total of thirty-four (74%) show a positive net worth. Considering the remaining twelve cooperatives (26%) with negative net worth, seven of these (11%) have shown improvement in their financial situation since TechnoServe assistance began. This suggests that even setting aside the protection that the Salvadoran Government provides to the cooperatives, about three-fourths appear to be sustainable.

3. Sustainability of Technical Services

Services provided by TechnoServe under the RED-II Project were charged to the beneficiaries at a nominal level, amounting to about ten percent of actual cost. This was TechnoServe's policy toward all its clients - cooperatives and second-level organizations alike - who were project beneficiaries. All the cooperatives resisted even the nominal charges for services received. Reasons cited by TechnoServe for the unwillingness of the cooperatives to pay the full cost of services were the following:

a) Many other organizations offered technical assistance to the cooperatives free of cost, including the Agrarian Reform Institute, ISTA; second-level federations such as the Union of Coffee Cooperatives (UCAFES) and the Union of Salvadoran Small Farmers (UCS), and even assistance provided under the USAID-funded NTAE Production and Marketing Project.

b) Technical assistance is not perceived by the cooperatives to be as essential as other inputs such as seed, chemicals, and fertilizer for agricultural production. Even when the benefits of TA were abundantly clear, there was reluctance to pay anything greater than a nominal amount.

c) Many cooperatives with the greatest need for TA (those with deficient management or production practices) are also the poorest cooperatives, and cannot afford to purchase technical services.

TechnoServe has continued working of its own accord with six cooperatives since the Cooperative Agreement ended on April 30, 1995. Because TechnoServe is bearing the full cost of this effort, the organization has increased its service charge to the maximum possible level. A price for TA which is at a level corresponding to approximately 30% of cost appears to be the "hard" resistance point beyond which the demand for services would disappear. Based on TechnoServe's recent experience, it is concluded that a program of integrated technical services to cooperatives is not sustainable on a commercial basis. This is a reasonable conclusion in that most of these services are "developmental" in nature, and are not commercially sustainable. However, "commercial" services (such as export assistance, or post-harvest handling) are recognized for their commercial value by the cooperatives, and are indeed sustainable.

TechnoServe's experience with second-level organizations was entirely different: TechnoServe has worked with a number of these organizations on programs funded by other agencies, whose policies with regard to subsidized services was different from USAID policy under the RED-II Project. In some cases, the fees charged to the beneficiary amounted to about 80% of actual costs. Furthermore, TechnoServe recently worked with UCRAPROBEX on new activities not related to the Rural Enterprise Development II Project, and charged a fee calculated to recover the full cost of its services.

The reason why second-level organizations appear more willing to pay is that many derive income from its members, often based on the amount of product exported. Secondly, the level of education, and appreciation of the benefits which can be derived from TA is higher for the decision makers of these organizations than most rank-and-file members of the cooperatives.

Based on TechnoServe's experience, it is concluded that TA can be provided to second-level associations at commercial rates. This might serve as a focal point in the future for TechnoServe's technical services.

H. EFFECTIVENESS OF PROJECT MONITORING AND MANAGEMENT

Over the course of the TechnoServe evaluation, the team visited seven "community based" cooperative enterprises and one institutional cooperative. In the course of evaluating the other projects, we visited another five cooperatives that had also received TechnoServe assistance in the past. In nearly each case, the reports that we received regarding TechnoServe's management assistance were quite positive. Often mentioned were the usefulness of establishing goals and planning to reach these goals, setting up improved accounting systems, cost control systems, equipment maintenance programs, and profitability analyses on a crop by crop basis. In several instances, years after TechnoServe had left the cooperative, records continued to be kept on the profitability of each of the cooperatives activities, and these data were being used in decision making regarding future activities.

One area where the TechnoServe approach needed improvement was in the case of developing workplans. We noticed something of a pattern in which TechnoServe would develop lengthy documentation for short, intermediate, and long term plans, only to find these documents years later gathering dust on the shelves of the cooperative offices. In one instance, we were told that someone had misplaced the planning documents, and that this was the reason for the cooperative abandoning the TechnoServe recommendations. In nearly all cases, developing workplans was seen as an activity which required outside assistance to complete successfully. Given the very basic educational skills present in most of the cooperatives, an intensive planning exercise which produces a complex document that few can understand, only contributes to the notion that outsiders are needed to organize members' lives. Showing how to develop very simple workplans which build on the inputs from the other management systems would do much to help develop local decision making capacity.

TechnoServe also provided management assistance to "second degree" cooperative institutions. Two institutions, UCRAPROBEX and PROEXSAL, received TechnoServe assistance during the contract period. Here again, the pattern is one where TechnoServe provided solid management assistance, helped the organization chart its course, and installed good accounting procedures and cost control methods.

TechnoServe did not aggressively search out markets for NTAEs, nor promote the production of NTAEs, nor provide large amounts of specialized assistance to solve NTAE production problems. It had no commitment to do so for any but the last 12 months of the project period.

I. PROJECT COST EFFECTIVENESS

TechnoServe determines the cost effectiveness of its services to each client by means of a model developed by the parent organization in 1989. The model provides cost-benefit calculations for each project, as well as subjective, non-quantifiable indices of changes in political, social, and economic benefits obtained by the assisted organizations and their members. Quantifiable benefits includes net profits, dividends, and salaries and wages paid by the cooperative to its members, and hired labor.

The cost-benefit analysis is based on a calculation of the value of current benefits (profits, dividends, and salaries) added to the expected value of future benefits obtained over a ten-year horizon. This calculation is made for each TechnoServe - assisted cooperative, and compared with what they might otherwise have achieved if assistance had not been provided. The net difference in financial benefits obtained by the cooperative "with TechnoServe" to those "without TechnoServe" is divided by TechnoServe's cost of providing the service. Thus, the ratio of the net benefits obtained by the cooperative to TechnoServe's actual cost of providing the service is the "cost-benefit ratio".

In theory, the analysis appears sound. However, in effect, the accuracy of TechnoServe's cost-benefit model for its' program in El Salvador is highly questionable. First, the projection of benefits is made over an assumed life of ten years into an uncertain future. TechnoServe's projections of benefits obtained "with TechnoServe" over the ten years appear highly optimistic. Second, TechnoServe's estimate of the financial results which could possibly have occurred "without TechnoServe" (and which could have continued into the future, for an entire period of ten years) are often depressed by severe changes in production and marketing parameters which affect the calculations and therefore the outcome of the projections. In many cases the projections assumed that dramatic reductions in producing area, crop yields, and market prices would somehow have resulted in the future had the cooperative been "without TechnoServe" assistance. The analysis skews the outcome to the scenario "with TechnoServe"and greatly inflates the "cost-benefit ratio". The team concluded that TechnoServe's method of "keeping score" in terms of cost effectiveness does not reflect reality and therefore serves no benefit to the evaluation.

Nor was it possible to make an independent calculation of cost effectiveness since TechnoServe's method of measuring impact considers only gross parameters related to the assisted cooperatives and do not indicate the incremental effect of TechnoServe's work. Therefore, it was not possible to determine the cost effectiveness of the Project. Based on the available information, the only meaningful cost indicator which can be derived is that the cost for each cooperative assisted under the Project was $97,015. Based on an estimated average of 133 members per cooperative, the cost per member served was $729.43.

III. CONCLUSIONS AND LESSONS LEARNED

A. CONCLUSIONS

- The quality of TechnoServe's performance as the implementing institution of the Project must be rated as acceptable based its compliance with the targets set in the Cooperative Agreement, although with caveats noted in the text. While the quantitative indicators presented indicate that essentially all targets were met, questions remain as to the significance of this "success". The indicators of impact for this project measure anything but impact. They measure process.

  To its credit, TechnoServe established genuine impact targets at the cooperative level as part of its planning and management activities. Even though the cooperatives did not reach these targets in most cases, this does not detract from the intention. Shortfalls can be explained by a number of conditions, not the least of which are that the Agrarian Reform cooperatives are barely viable business enterprises. The creation of an operational management system in these cooperatives first requires the creation of an operational management environment.

  In a less than perfect world, TechnoServe found itself in the position of having to apply its methodology to cooperatives which lacked an organizational environment consistent with the adoption of sound management practices. This was especially true with respect to the Phase III cooperatives, which had few physical assets and lacked a spirit of integration among its members. Many of the Phase III cooperatives were created by their members to fulfill the requirements for receiving land, which they intended to work on an individual basis.

- The success stories in the TechnoServe portfolio were generally the large, plantation-like cooperatives specialized in the production of sugar and/or coffee. More commonly, however, was the case of the mid-size cooperative, which also relied on coffee and sugar, but had a significant portion of its' farm dedicated to the production of basic grains. On these cooperatives the adoption of the TechnoServe management system was tentative, and would have greatly benefitted from follow-up visits providing continuing

advisory services and training. A foothold was gained in many, or perhaps most, of the client cooperatives which was all but lost when TechnoServe withdrew.

- TechnoServe has successfully assisted its clients to achieve a degree of organizational maturity which is an important element of sustainability. Primary benefits have resulted from the installation of management information, control, and planning systems, including basic accounting and budgetary control procedures. These basic management development efforts have paid off over the long term. However, the path toward "graduation" from TechnoServe's management training does not give the cooperative the perception that technical assistance is an input in the production/marketing process. There is no conceptual transition from the "hand-holding" to the advisory function of external professionals.

  As a result, technical assistance is not viewed as a legitimate input to be purchased in the marketplace, thus requiring that the cooperative become self-sufficient in all aspects of enterprise management. No successful enterprise, agricultural or otherwise, is required to develop this capacity and they all utilize outside sources of expertise. This is unfortunate for TechnoServe itself, and its goal of achieving sustainability. Given its mission as a rehabilitator of organizations and institutions, it is difficult to envision any but the largest being able to pay commercial rates for the services TechnoServe offers.

- Based on TechnoServe's recent experience, it is concluded that a program of integrated technical services to cooperatives is not sustainable on a commercial basis. However, TA can be provided to second-level associations at commercial rates. This might serve as a focal point in the future for TechnoServe's technical services.

- TechnoServe's method for calculating project impacts makes it impossible to determine the impact of the program. When a cooperative and TechnoServe sign an assistance agreement, the initial employment figures, area cultivated, and incomes from that cooperative become part of TechnoServe's overall impact, and become inseparable from any increases that may or may not subsequently occur.

  When the evaluation team examined other change indicators production, profits, net worth, employment, and managerial capacity, the record was mixed. The number of people on the payroll declined by 33 percent from the first quarter for which information was available (when the cooperative entered the project), to the last quarter that information was available. The number of people on the payroll of the sampled cooperatives declined on average by one-third from the time they entered the program, until TechnoServe stopped keeping records, after a period which ranged between 30-48 months.

Sugar yields dropped twenty percent in TechnoServe assisted cooperatives at a time when national yields remained constant. Coffee yields went up by around 10% in TechnoServe assisted cooperatives, consistent with the national average. However the average yield of TechnoServe assisted cooperatives was slightly below the national average.

- Successful cooperatives generally shared some common features: a stable management structure separate from the board of directors, few rotations in the board of directors, and consistent policies. Unsuccessful cooperatives had high turnover among the board of directors, managers who were also board members, and policies which changed with each new administration. One frustrated coop director described these later cases as "clubs of beneficiaries".

- The problem of frequent changes in cooperative leadership has been a major obstacle for following through on TechnoServe recommendations. The investments made in management assistance were often lost with the arrival of new cooperative management. TechnoServe has had to dedicate too much of its resources to addressing this issue.

  One of the critical shortcomings of the TechnoServe methodology is that it does not reach the shareholders of the potential enterprises that it is trying to create. In light of the requirement that cooperatives change their board of directors every two years, this practically guarantees that the incoming decision makers will have had little preparation for their new responsibilities. However, of those members of the cooperatives who are exposed to a threshold level of preparation by TechnoServe, the intent to adopt and try to implement what they have learned is reasonably high.

  The evaluation team felt that projects working with production cooperatives must achieve a separation of cooperative management, which have social and political concerns, from the management of the cooperatives business. Sustainability must be created on the business side of the operation. Technoserve should make such a separation a condition of providing services.

- The team found that TechnoServe played a limited role in NTAE development, and collaboration with other projects and institutions was not substantial. The objective of working with NTAEs came only during a final 12 month extension of the project, and there was no accompanying change in targets to include NTAEs.

  Some of the cooperatives originally served by TechnoServe were later picked up by CLUSA, and are today sustainable NTAE producers. TechnoServe has had an impact on NTAEs through its institutional assistance to UCRAPROBEX and PROEXSAL. From the beginning however, TechnoServe helped cooperatives producing which were already producing NTAEs by applying the same management tools and technical

assistance to these activities as it would have done for any venture that the cooperative might be involved in.

- In spite of the current enthusiasm for splitting cooperatively held lands into individually held parcels, the team was concerned over the likelihood that this process might lead to the loss of the scale advantages that the cooperative enterprises currently hold. Such a process could produce yet another version of a rural peasantry, living on subsistence sized plots, producing crops for home consumption, and unable to afford new technologies or share in the bargaining power that many of the existing cooperatives now possess.

- We judged TechnoServe's initial strategy in working with the cooperatives to be a fairly-successful one. TechnoServe's success stories often begin by working with a willing and able accountant. Subsequent achievements build on this initial effort which lends a disciplined approach to cooperative work.

- TechnoServe has provided assistance to a small number of traditional services cooperatives. The team was impressed both with the nature of these cooperatives and with the assistance provided by TechnoServe. These resemble the North American and European cooperatives which assist farmers in obtaining credit and inputs, and which assist in the marketing of crops. Well managed service cooperatives could be an effective way to achieve gains for many rural producers in El Salvador.

- Of all the skills TechnoServe attempts to transfer to cooperatives, planning was considered by the cooperatives to be the most difficult to adopt, followed closely by marketing. Suggested technical changes in production, or installing new accounting systems were fairly straightforward by comparison.

B. LESSONS LEARNED

Since the Project has ended it would be superfluous to make recommendations, thus a look at lessons learned:

- A project's goals, strategy, performance measures, and indicators should be consistent. TechnoServe stated that its goals were to increase rural employment, income and production through working with self-managed enterprises. However, results cannot be measured because performance measures were designed to track the process, instead of progress.

- The problem with working toward a standard set of broad goals is that there may be occasions in which these goals and the strategy for achieving them become inconsistent. TechnoServe's strategy for institutional development of client cooperatives was to help

improve management systems and to control costs. Given this strategy, employment could be expected to decline, at least in the near term.

- When an environment cannot be changed that adversely affects progress , it may become necessary to change the strategy for Project implementation. This is particularly applicable to the problem of rotating cooperative leadership. The evaluation team heard repeatedly that frequent turnover of cooperative decision makers means that cooperatives either do not graduate, or else drop recommended policies once the board of directors changes. TechnoServe could have made stable management a pre-condition for providing services. Possible solutions might have been to insist, as part of the agreement with a cooperative, on their providing stable management for a fixed period of time, or to nominate a permanent steering committee to manage crop production.

Table 1 RURAL ENTERPRISE DEVELOPMENT II PROJECT

PLANNED AND ACTUAL EXPENDITURES

UNDER THE COOPERATIVE AGREEMENT

($000)

ITEM	PLANNED AMOUNT	ACTUAL AMOUNT
AID CONTRIBUTION		
Personnel Expenses	3,600	3,568
Travel Allowances	481	511
Office Expenses	405	417
Other Direct Expenses	544	566
General and Administrative	1,151	1,125
Capital Expenditures	254	254
Evaluations	50	0
Audits	15	9
TOTAL AID	6,500	6,450
TECHNOSERVE COUNTERPART		
Cash	697	730
In-Kind Payments	1,470	2,824
TOTAL COUNTERPART	2,167	3,554
TOTAL COST OF PROJECT	8,667	10,004

Table 2 COMPARISON OF BEGINNING AND ENDING NET WORTH OF TECHNOSERVE-ASSISTED COOPERATIVES

NO.	NAME OF COOP	MONTHS - EARLIER PROJECT	MONTHS - CURRENT PROJECT	TOTAL MONTHS T/A	GRADU-ATED? (Y/N)	INITIAL NET WORTH ($C)	FINAL NET WORTH ($C)
1	Los Lagartos	20	19	39	Y		10,141
2	San Isidro	29	2	31	Y		3,491
3	Amate de Campo	61	1	62	Y		Parcelled
4	San Sebastian	26	11	37	Y		165,761
5	El Jabali	23	11	34	Y		1,545,787
6	San Carlos	31	23	54	Y		NA
7	La Isla	12	14	26	Y		1,802,530
8	El Obrajusto	11	22	33	Y	(680,100)	(467,710)
9	El Potosi	10	2	12	Y		718443
10	Nazareth	10	21	31	Y		58,714
11	Tonala	60	12	72	Y	(4,996,400)	(2,953,843)
12	San Jose la Paz	29	21	50	Y		876,093
13	San Jose Miramar	60	6	66	Y	(1,968,700)	(2,576,754)
14	Miravalles	49	1	50	Y		7,135,800
15	La Magdalena	46	1	47	Y		3,249,188
16	San Cristobal	0	19	19	Y		199,148
17	San Rafael la Posada	0	32	32	Y	(805,300)	(1,237,727)
18	El Sinai	0	18	18	Y	(304,271)	(372,935)
19	San Raymundo	0	38	38	Y	(2,868,200)	3,720,507)
20	El Zacamil	0	38	38	Y	(1,718,800)	(1,228,856)
21	Aqua Caliente	0	19	19	Y		Parcelled
22	San Francisco Guayoyo	0	30	30	Y		363,082
23	Las Lajas	36	20	56	Y		9,227,509
24	Rancho Monte Vista	0	36	36	Y	(2,577,000)	(578,872)
25	Terminal Pesquera	0	31	31	Y		215,698
26	Florencia	0	32	32	Y		814,096
27	Las Colinas	0	24	24	Y	(2,405.700)	(2,370,319)
28	San Simon	0	18	18	N		NA
29	Socopu	0	12	12	Y	534,127	
30	Astoria	0	22	22	Y	(2,715.559)	(3,286,146)
31	San Francisco Suchitoto	0	40	40	Y*		4,697,450
32	Santa Barbara	0	24	24	Y		1,129,050
33	Llano Largo	0	14	14	N		NA
34	El Progreso	0	16	16	Y		1,357,101
35	Los Pinos	0	12	12	Y	13,833,815	
36	Agua Fria	0	15	15	Y	12,033,605	
37	Nuevo San Sebastian	0	15	15	Y		123,030
38	Concepcion Miramar	0	35	35	Y	(3,152,464)	(2,044,019)

NO.	NAME OF COOP	MONTHS - EARLIER PROJECT	MONTHS - CURRENT PROJECT	TOTAL MONTHS T/A	GRADU-ATED? (Y/N)	INITIAL NET WORTH ($C)	FINAL NET WORTH ($C)
39	El Nilo I	0	33	33	Y*	(887,323)	(350,604)
40	Brisas del Mar	0	24	24	Y		209,908
41	Nuevo Amanecer	0	24	24	Y		251,413
42	El Rubi	0	24	24	Y		272,756
43	Hoja de Sal	0	31	31	Y*		559,870
44	Acoopacifico	0	33	33	Y		198,150
45	El Pital	0	25	25	Y*		1,048,954
46	Los Mangos	0	24	24	Y*		2,389,056
47	La Presa	0	24	24	N		3,073,125
48	Los Chilamotes	0	22	22	N		3,722,401
49	El Angel	0	6	6	Y		NA
50	Acopolim	0	22	22	Y*		1,821,093
51	Coralama	0	23	23	N		NA
52	Nueva Esperanza	0	6	6	Y		NA
53	Lempa-Acahoopa	0	22	22	N		7,245
54	Comora	0	6	6	Y		NA
55	El Cortijo	0	19	19	N		11,046
56	El Renacer	0	6	6	Y		NA
57	Shutecat	0	20	20	N		NA
58	Plan de Amayo	0	6	6	N		NA
59	Tres Haciendas	0	6	6	N		NA
60	Rancho Luna	0	6	6	N		NA
61	Tepeacua	0	6	6	N		NA
62	Las Victorias	0	6	6	N		NA
63	San Carlos No. 2	0	6	6	N		NA
64	Santa Maria Las Trincheras	0	6	6	Y		NA
65	San Juan Merino	0	3	3	Y		NA

Y* indicates that the cooperative "graduated" after the end of the Project. Continued assistance was provided under the IFAD Project.

Table 3 RURAL ENTERPRISE DEVELOPMENT II PROJECT

INTERMEDIATE OBJECTIVES

ITEM	PLANNED AMOUNT	ACTUAL AMOUNT	SUCCESS RATE
INDIVIDUAL COOPERATIVES			
Number Assisted	50	65	130%
Number Graduated	38	44	116%
Diagnostic Analyses Made	72	72	100%
TA Contracts Signed	72	133	185%
Activity Analyses Completed	204	382	187%
Enterprise Plans Developed (1)	142	192	135%
Enterprise Plans Executed (1)	98	185	189%
Persons Trained	700	6,343	906%
Women	NA	414	NA
Men	NA	5,629	NA
INSTITUTIONS			
Number of Participating Institutions	52	92	177%
Training Activities	74	140	189%
Preliminary Evaluations	32	26	81%
Activity Analyses	48	97	202%
Project Planning Activities	24	56	233%
Coordination Activities	112	233	208%
TA Proposals Developed	16	72	450%
Persons Trained	3,500	5,393	154%
Women	NA	215	NA
Men	NA	5,178	NA

(1) Annual and five-year plans

Table 4 RURAL ENTERPRISE DEVELOPMENT II PROJECT

FINAL TARGETS

ITEM	PLANNED AMOUNT	ACTUAL AMOUNT	SUCCESS RATE
Jobs Created/Sustained (Person-years)	42,181	47,956	114%
Family Income (SC 000)	162,567	254,254	156%
Cooperative Area (Mz)	29,900	41,000	137%
Cultivated Area (Mz)	88,190	81,835	94%
Area - Direct Assistance	NA	23,409	NA
Area - Sphere of Influence	NA	58,426	NA

Table 5 RURAL ENTERPRISE DEVELOPMENT II PROJECT

TOTAL AREA, AVERAGE YIELDS AND TOTAL PRODUCTION

OF SUGAR AND COFFEE ON COOPERATIVES ASSISTED BY TECHNOSERVE

YEAR	SUGAR			COFFEE		
	AREA (MZ)	YIELD (MT/MZ)	PRODUCTION (000 MT)	AREA (MZ)	YIELD (QQ/MZ)	PRODUCTION (000 QQ)
1990/91	4,210	71.0	299.2	6,526	11.0	71.6
1991/92	4,610	66.0	323.3	6,563	12.0	74.5
1992/93	4,690	60.0	298.9	6,591	17.0	108.9
1993/94	4,750	57.0	270.9	6,597	12.0	88.7

Area expressed in manzanas; sugar production in metric tons; coffee production in hundredweight.

Table 6 RURAL ENTERPRISE DEVELOPMENT II PROJECT

AVERAGE YIELDS FOR SUGAR AND COFFEE

NATIONAL AVERAGE VERSUS TECHNOSERVE-ASSISTED COOPERATIVES

YEAR	SUGAR			COFFEE		
	NATIONAL	TECHNOSERVE	DIFFERENCE (%)	NATIONAL	TECHNOSERVE	DIFFERENCE (%)
1990	59.6	71.0	119%	12.0	11.0	92%
1991	65.1	66.0	102%	14.0	12.0	87%
1992	60.7	60.0	99%	14.0	17.0	119%
1993	58.9	57.0	96%	14.0	12.0	83%

Sugar yields expressed in metric tons per manzana; coffee yields expressed in hundredweight per manzana

Table 7 RURAL ENTERPRISE DEVELOPMENT II PROJECT

CHANGES IN PROFITABILITY

OF TECHNOSERVE-ASSISTED COOPERATIVES

CHANGE IN PROFITABILITY	NUMBER OF COOPERATIVES	PERCENT OF TOTAL
Profitability increase greater than ten percent	13	52%
Profitability decrease greater than ten percent	5	20%
Stable profits (variation less than ten percent)	7	28%
TOTAL	25	100%

Table 8 RURAL ENTERPRISE DEVELOPMENT II PROJECT

PERCENTAGE ACHIEVEMENT OF PRODUCTION GOALS

BY TECHNOSERVE-ASSISTED COOPERATIVES

YEAR	COFFEE		RICE		MILK
	YIELD	PRODUCTION	YIELD	PRODUCTION	PRODUCTION
1990/91	64.7%	89.6%	104.2%	62.2%	79.6%
1991/92	66.7%	83.6%	67.1%	40.3%	68.5%
1992/93	89.5%	91.6%	80.0%	63.8%	94.5%
1993/94	63.1%	77.9%	80.0%	48.8%	86.0%

Table 9 RURAL ENTERPRISE DEVELOPMENT II PROJECT

CHANGES IN LEVELS OF EMPLOYMENT

FOR A SAMPLE OF TWENTY-EIGHT COOPERATIVES

GENDER	FIRST AVAILABLE QUARTER	LAST AVAILABLE QUARTER	PERCENT CHANGE
No. men employed	6,492	4,773	(26%)
No. women employed	2,174	954	(56%)
GRAND TOTAL EMPLOYMENT	8,666	5,727	(33%)
Achieved Self-Management Status?			
Yes - Total Employment	8,000	5,087	(36%)
No - Total employment	666	640	(4%)
GRAND TOTAL EMPLOYMENT	8,666	5,727	(33%)

Attachment 1 **TECHNOSERVE'S COMMENTS**

ON THE DRAFT REPORT

OBSERVACIONES Y COMENTARIOS A LA EVALUACION DE PROYECTOS NTAE EN EL SALVADOR, REALIZADA POR CONSULTORES DE AGRIDEC

Después de haber revisado el documento de Evaluación de Proyectos, NTAE en El Salvador, se tiene las siguientes seis observaciones, y sus respectivos comentarios y al final se hacen observaciones de forma al documento específico de TechnoServe.

I. LIMITADO IMPACTO DE TECHNOSERVE EN LA PRODUCCION DE NTAE

La evaluación realizada por el grupo de consultores de AGRIDEC, estuvo más orientada a evaluar un proyecto de NTAE, en donde CLUSA y FUSADES si tenían responsabilidades específicas de promover y fomentar la producción de cultivos no tradicionales y TechnoServe tenía sus responsabilidades mas orientadas hacia el desarrollo de empresas cooperativas del sector agropecuario de El Salvador.

El proyecto Rural Enterprise Development II, en sus primeros cuatro años de vida, no tenía responsabilidades específicas en la producción y fomento de los cultivos no tradicionales, por lo tanto no puede calificarse que el impacto de TNS fue limitado, ya que por los propósitos y objetivos originales del proyecto, fue el de promover el desarrollo empresarial en las empresas-cooperativas y en las instituciones de segundo grado íntimamente relacionadas a las cooperativas del sector agropecuario. Al final del proyecto, (en el quinto año) se agregaron objetivos relacionados a la producción y fomento de cultivos no tradicionales .

TECHNOSERVE, desde los primeros años del proyecto, estuvo apoyando la producción de cultivos no tradicionales, prueba de ello es que durante los cinco años se promovió la producción de 2,381 hectáreas de 17 cultivos no tradicionales. Además, en un seminario que se llevó a cabo en 1994, en donde se analizó la problemática de los NTAE, participaron representantes de USAID, CLUSA, TECHNOSERVE, FUSADES, LAC-TECH, PROEXANT Y PROEXAG, TECHNOSERVE, en su presentación, expuso que dentro de las áreas de producción agrícola de las cooperativas, el 20 % se dedicaba a la producción de cultivos no tradicionales de exportación, esta información estuvo disponible para los evaluadores.

Por todo lo anteriormente expuesto, se considera que el esfuerzo de TECHNOSERVE en los NTAE no fue limitado, como lo consideran los evaluadores, sino que la contribución que se hizo a la producción y fomento de NTAE, fue mas allá de las responsabilidades que se tenían en el

Acuerdo Cooperativo, al promover más de quince productos no tradicionales en un ambiente poco favorable para la producción y exportación de estos cultivos agrícolas.

II.SOBRE LA PROBLEMATICA DE LOS CAMBIOS DE LOS CONSEJOS DE ADMINISTRACION Y SU EFECTO EN LA SOSTENIBILIDAD DE LAS EMPRESAS

A diferencia de lo que consideran los evaluadores sobre el problema de cambios de Consejos de Administración, como el problema que más pueda afectar el futuro y sostenibilidad de las empresas, TECHNOSERVE, considera que no es un problema muy serio, ya que durante el período que se proporciona la asistencia técnica a las cooperativas, se aplican las siguientes estrategias:

1. Se capacita principalmente a los mandos medios de la empresa (contador, bodeguero, encargados de la parte agrícola y/o ganadera, encargados de la planta de procesado o beneficio, encargados del área social), y al gerente, a los que TECHNOSERVE identifica como PARATECNICOS, quienes son las personas que tienen mayor permanencia laboral dentro de la empresa.

2. El asesor de Technoserve del área Gerencial/Administrativa, participa en todas las reuniones del Consejo de Administración, esto le permite orientar dentro de la empresa, la toma de decisiones. Su participación es con voz, no con voto.

Además, en 1995, el Gobierno Central a través de un Decreto Legislativo, modificó el Reglamento Regulador de los Estatutos de las Cooperativas, el cual dentro de sus reformas, está contemplado la gradualidad del tiempo de los cargos, dentro del Consejo de Administración, de manera que siempre existan personas con antiguedad y experiencia en los Consejos .

Muchas de las empresas cooperativas que asistió TECHNOSERVE, a través de este convenio y con los anteriores convenios financiados por AID, se encuentran trabajando exitosamente y por lo tanto son sostenibles, a pesar del cambio de algunos miembros del Consejo, los cuales siempre continúan siendo líderes del grupo.

Por lo anteriormente manifestado, se considera que los cambios de los consejos de administración, no es un problema que afecte sustancialmente el futuro de las cooperativas.

III.NO FUE POSIBLE MEDIR EL IMPACTO DEL TRABAJO DESARROLLADO POR TECHNOSERVE, POR EL METODO DE REPORTAR EL PROGRESO

De acuerdo a los evaluadores, los indicadores empresariales é institucionales del proyecto, no reflejan lo que se pretendía alcanzar con el objetivo general del proyecto, que fue el de incrementar el empleo, el ingreso rural y la producción agropecuaria, ya que estos reportan la información en una forma acumulada, pero éstos indicadores y su metodología fue discutida y

aceptada por AID, cuando se presentó la propuesta, por lo que se reportaron sus cumplimientos de acuerdo a la metodología aceptada. Si la metodología no fue la correcta, se considera que esto deberá ser motivo de otro análisis y discusión. Por lo que debemos de tomar, que el cumplimento de los indicadores reflejan el impacto logrado en las 66 empresas asistidas durante el período de duración del proyecto.

De acuerdo al cumplimiento de los indicadores, se considera que el impacto que tuvo TECHNOSERVE en el sector agropecuario de El Salvador fue :

Haber contribuido a la generación de 47,956 empleos por año.

Haber generado ¢ 254,254,000 por concepto de ingreso familiar global, el cual proviene de salarios pagados, prestaciones sociales y excedentes económicos. Al hacer un análisis específico del ingreso rural per capita promedio en las cooperativas, se encontró que en 1990, el ingreso rural per cápita promedio en las cooperativas fue de ¢ 3,850 y para 1994, se incrementó a ¢ 5,524.
Esto refleja un incremento en el ingreso familiar.

Se tuvo un efecto directo en el 11% de la producción nacional de caña de azúcar y en el 31% (directa e indirectamente) de la producción nacional de café.

Se capacitaron a 5,472 personas relacionadas con el sector agropecuario (profesionales, técnicos, socios de cooperativas, miembros de diferentes gremiales, ex miembros de la FAES etc.).

Nuestra mayor contribución é impacto, fue el que los miembros de las 66 empresas cooperativas asistidas, hallan mejorado las condiciones económicas y sociales de ellos como la de sus familias y que vean a la empresa como el instrumento de desarrollo para ellos y su comunidad.

IV.SOBRE LA CREDIBILIDAD DE LA METODOLOGIA DEL COSTO / EFECTIVIDAD

Consideramos que la metodología empleada en el cálculo del costo beneficio obtenido en algunos de los proyectos asistidos por TNS, merece todo el crédito y respeto, ya que no es una metodología exclusiva de la corporacion, sino que esta enmarcada en un concepto metodológico utilizado por instituciones financiadoras internacionales como el BID y BANCO MUNDIAL, para medir el impacto que tendrá un determinado proyecto de inversión.

Las personas que diseñaron esta metodología fueron profesionales de mucha experiencia que habían trabajado con organismos internacionales, instituciones de desarrollo y en universidades y además fue consultada con distintas universidades de USA.

En algunos casos se ha calculado el índice "ex post" y los resultados han sido positivos. El costo/efectividad es un índice, da una idea del beneficio o rentabilidad de la inversión. El método tiene limitaciones; pero no por eso deja de ser absolutamente increible.

V. COMPARACIONES DE COSTO BENEFICIO ENTRE LOS TRES PROYECTOS

En el cuadro en donde se establecen comparaciones del costo beneficio de los proyectos, para el caso de TECHNOSERVE, se pueden agregar los siguientes indicadores:

COSTO DE CADA DIA EMPLEO GENERADO POR TECHNOSERVE:

El cual se puede calcular de la siguiente manera.

Costo total del proyecto $ 6,500,000
_____ :$135.54 costo empleo año.
Empleos año generados : 47,956

Costo del empleo año : $135.54
_____ : $ 0.62 costo del día empleo

días hábiles por año: 220

La cifra anterior de $ 0.62, es mucho mas baja que el costo del dia empleo generado por CLUSA, el cual es de $ 8.60.

COSTO DE LA ASISTENCIA POR CADA MIEMBRO DE LA COOPERATIVA

Costo por cada cooperativa asistida : $97,015
_____ : $ 729.43

Promedio de socios por cooperativa :133

La cifra anterior es superior en un 20% a la obtenida por CLUSA, pero no se debe de olvidar que la asistencia ofrecida por TNS es de tipo integral, en donde se asisten todas las funciones de la empresa (gerencial/administrativa, financiero contable, producción, comercialización y lo social), en cambio la asistencia proporcionada por CLUSA, únicamente esta centrada en la producción y comercialización de NTAE.

Los resultados obtenidos en los dos indicadores anteriores, demuestran la eficiencia en el costo por día empleo generado y en proporcionar la asistencia de tipo integral, ya que únicamente existe un diferencial del 20%, al compararla con una asistencia de tipo parcial.

VI.NO EXISTEN RECOMENDACIONES PARA TECHNOSERVE

No se dan recomendaciones para TechnoServe, no se hace ninguna mención para nada de la propuesta del Fideicomiso que se le hizo a la AID, la cual es una de las alternativas de sostenibilidad del Programa. Asímismo, no existe ningún comentario sobre la propuesta de asistencia técnica al Distrito de Riego de Atiocoyo, la cual viene siendo también una de las alternativas del futuro del Programa, en el sentido de potenciar la asistencia técnica a la agricultura bajo riego.

VII.OBSERVACIONES DE FORMA AL DOCUMENTO DE EVALUACION DE TECHNOSERVE

En las páginas anteriores para nada se hace mención del proyecto FODEAGRO (PROGRAMA DE FORTALECIMIENTO AL DESARROLLO EMPRESARIAL EN EL AGRO), el cual era un proyecto estratégico para el futuro de TechnoServe, el cual tendía a mejorar la calidad del recurso humano de los pequeños y medianos productores agrícolas, a fin de elevar su nivel y calidad de vida, el proyecto se tenía proyectado realizarlo en las regiones para central y oriental del país y en algunas cooperativas ya asistidas por TECHNOSERVE, en donde se impulsarían nuevos proyectos y producción de cultivos no tradicionales .