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DEPARTMENT OF STATE  
AGENCY FOR INTERNATIONAL DEVELOPMENT  
Washington, D.C. 20523

PROJECT PAPER

Chile

Rural Cooperative Upgrading

Project Number: 513-0296

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AGENCY FOR INTERNATIONAL DEVELOPMENT  
**PROJECT PAPER FACESHEET**  
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4. PROJECT NUMBER: 513-0296

5. BUREAU  
 A. SYMBOL: LA    B. CODE: 05

6. ESTIMATED FY OF PROJECT COMPLETION: FY 8|0|

7. PROJECT TITLE - SHORT (STAY WITHIN BRACKETS)  
 Rural Cooperative Upgrading   

8. ESTIMATED FY OF AUTHORIZATION/OBLIGATION  
 A. INITIAL: MO. 9 | YR. 76    B. FINAL FY: 7|9|

9. SECONDARY TECHNICAL CODES (MAXIMUM SIX CODES OF THREE POSITIONS EACH)  
 041

10. ESTIMATED TOTAL COST (\$000 OR EQUIVALENT, \$1 = \_\_\_\_\_)

A. PROGRAM FINANCING	FIRST YEAR T.O.			ALL YEARS		
	B. FX	C. L/C	D. TOTAL	E. FX	F. L/C	G. TOTAL
AID APPROPRIATED TOTAL						
(GRANT)	( 105 )	( 145 )	( 250 )	( 171 )	( 845 )	( 1016 )
(LOAN)	( )	( )	( )	( )	( )	( )
OTHER 1.						
U.S. 2.						
<del>XXXXXX</del> IFICOOP	--	--	--	--	321	321
<del>XXXXXX</del> COOPS	--	--	--	--	78	78
TOTALS	105	145	250	171	1244	1415

11. ESTIMATED COSTS/AID APPROPRIATED FUNDS (\$000)

A. APPRO- PRIATION ALPHA CODE	B. PRIMARY PURPOSE CODE	C. PRIMARY TECH. CODE	FY 1. Q.		FY 7.		FY 8.		ALL YEARS	
			D. GRANT	E. LOAN	F. GRANT	G. LOAN	H. GRANT	I. LOAN	J. GRANT	K. LOAN
FN	240	031	250	-	150	-	367	-	1016	-
TOTALS			250		150		367		1016	

12. ESTIMATED EXPENDITURES

13. PROJECT PURPOSE(S) (STAY WITHIN BRACKETS)     CHECK IF DIFFERENT FROM PID/PRP

[To improve the efficiency and adequacy of the management capacity and service capability of rural cooperatives which are primarily composed of low income farmers or artisan fishermen. Sub-purpose: To broaden and strengthen IFICOOP's capacity to provide relevant and efficient services to rural cooperatives.]

14. WERE CHANGES MADE IN THE PID/PRP FACESHEET DATA NOT INCLUDED ABOVE? IF YES, ATTACH CHANGED PID AND/OR PRP FACESHEET.  
 Yes     No

15. ORIGINATING OFFICE CLEARANCE

SIGNATURE: *James L. Roush*  
 TITLE: James L. Roush, Director USAID/Chile

DATE SIGNED: MO. 8 | DAY 1 | YR. 76

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SUBJECT: RURAL COOPERATIVE UPGRADING GRANT PP

1. SUBJECT PROJECT IS HEREBY APPROVED. SUBJECT TO THE AVAILABILITY OF FUNDS, FUNDING APPROVAL IS GIVEN FOR UP TO 1,016,000 DOLS. OF WHICH 250,000 DOLS IS AVAILABLE FOR OBLIGATION DURING THE TRANSITION QUARTER.

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- (A) PRIOR TO THE FIRST DISBURSEMENT OR THE ISSUANCE OF ANY COMMITMENT DOCUMENTS UNDER THE GRANT, THE GRANTEE SHALL SUBMIT FOR A.I.D. APPROVAL A COMPREHENSIVE SCOPE OF WORK AND PROPOSALS FOR THE ONE YEAR RESIDENT ADVISOR.
- (B) PRIOR TO THE FIRST DISBURSEMENT FOR ANY TRAINING ACTIVITY (UPGRADING PROJECT STAFF OR COOPERATIVE), THE CHIEF PROJECT DIRECTOR WILL BE HIRED AND ON BOARD.
- (C) PRIOR TO THE FIRST DISBURSEMENT FOR ANY TRAINING ACTIVITY OTHER THAN THE UPGRADING PROJECT STAFF TRAINING/ ORIENTATION, THE GRANTEE SHALL SUBMIT FOR A.I.D. APPROVAL (1) A COMPREHENSIVE AND DETAILED TRAINING PLAN AND SCHEDULE FOR THE FIRST YEAR'S TRAINING ACTIVITIES AND (2) A PLAN DESCRIBING THE SOURCES OF FUNDS FOR IFICOOPI'S COUNTERPART CONTRIBUTION FOR THE FIRST YEAR OF THE PROJECT AND EVIDENCE IN FORM AND SUBSTANCE SATISFACTORY TO A.I.D. THAT SUCH FUNDS WILL BE FORTHCOMING.
- (D) PRIOR TO ANY DISBURSEMENTS FOR THE IMPLEMENTATION OF TRAINING ACTIVITIES IN EACH YEAR SUBSEQUENT TO THE FIRST YEAR, THE GRANTEE SHALL SUBMIT FOR A.I.D. APPROVAL (1) A COMPREHENSIVE AND DETAILED TRAINING PLAN AND SCHEDULE FOR THAT YEAR'S TRAINING ACTIVITY AND (2) A PLAN DESCRIBING THE SOURCES OF FUNDS FOR IFICOOPI'S COUNTERPART CONTRIBUTION FOR THAT YEAR OF THE PROJECT AND EVIDENCE IN FORM AND SUBSTANCE SATISFACTORY TO A.I.D. THAT SUCH FUNDS WILL BE FORTHCOMING.
3. THE USDAO IS AUTHORIZED TO NEGOTIATE AND SIGN A PROJECT AGREEMENT CONSISTENT WITH THIS APPROVAL.
4. ADVICE OF ALLOCATION FOLLOWS BY IMMEDIATE CABLE. ROBINSON

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PROJECT PAPER

RURAL COOPERATIVE UPGRADING GRANT

CHILE

T.Q. 76

CHILE

RURAL COOPERATIVE UPGRADING GRANT

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B. Recommendations

1. Authorizations Requested

A grant authorization to support a rural cooperative upgrading project in Chile is requested during the Transition Quarter in accordance with the following terms and conditions:

a. Recipient and Executing Agent: The Cooperative Finance Institute (IFICOOP), a private cooperative development bank owned by its member cooperatives.

b. Grant Amount: US\$1,015,829

c. Duration: <sup>1</sup> Three Years, commencing October 1, 1976.

d. Counterpart Contributions:

1) IFICOOP	US\$320,870
2) Participating Coops	<u>77,573</u>
Total Counterpart	<u>US\$398,443</u>

e. The following conditions and provisions are recommended:

i) Conditions Precedent:

- Prior to the first disbursement or the issuance of any commitment documents under the grant, the grantee shall submit for A.I.D. approval a comprehensive scope of work and proposals for the one year resident advisor.
- Prior to the first disbursement for any training activity (upgrading staff or cooperative) the Chilean project director will be hired and on board.

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1

Duration of implementation period.

- Prior to the first disbursement for any training activity other than the upgrading staff training/orientation, the grantee shall submit for A.I.D. approval (i) a comprehensive and detailed training plan and schedule for the first year's training activities and (ii) evidence in form and substance satisfactory to A.I.D. that the necessary IFICOOP counterpart funding will be forthcoming.

ii) Special Provisions:

- Prior to any disbursement for implementation of the second year's training activities the grantee shall submit for A.I.D. approval (i) a comprehensive and detailed training plan and schedule for the second year's training activities and (ii) evidence in form and substance satisfactory to A.I.D. that the necessary IFICOOP counterpart funding will be forthcoming.

- Prior to any disbursement for implementation of the third year's training activities the grantee shall submit for A.I.D. approval (i) a comprehensive and detailed training plan and schedule for the third year's training activities and (ii) evidence in form and substance satisfactory to A.I.D. that the necessary IFICOOP counterpart funding will be forthcoming.

C. Summary Project Description

1. Nature of the Problem

Over 70 percent of the 793 legally registered cooperatives located in the agricultural sector by the end of 1973 were organized during the preceding seven year period. Since the agricultural sector was dominated by land reform activities and corresponding political struggles during the 1967-1973 period, the rural cooperatives established during this period were subjected to heavy political pressures as efforts were made to gain or win over political support at the election polls. Unfortunately, cooperative promotion

and organization efforts greatly exceeded the capacity of the government and the cooperative movement to provide adequate training, technical assistance and financial support to such a large number of newly organized cooperatives.

Moreover, during the last few years of this expansionary period for rural cooperatives, the services that were offered to the rural sector by government institutions were highly subsidized. These subsidized services significantly limited the support which second and third level cooperative service organizations could contribute towards the development of an independent rural cooperative movement.

The rural cooperative movement consists of probably no more than 360 small farmer cooperatives, (i. e., campesino, fishing and agrarian reform cooperatives) of which (1) approximately 200 are organized without an economically viable base and currently are unable to operate without continued subsidies and (2) the remaining 160 have an economically viable base but are plagued with serious managerial and financial problems resulting in inefficient and ineffective services being provided to their members.

In dealing with the needs and problems of the agricultural sector, the GOC has decided to rely on the rural cooperative movement as the principal institutional framework for overcoming the present constraints to increasing production, developing domestic and export markets and raising incomes of the rural poor. The current government policy is one of eliminating State subsidies and reducing State involvement in the productive activities wherever private sector participation can and will be forthcoming.

As part of the government's desire for a consolidation of existing rural-based cooperatives, inoperative and economically unviable cooperatives are gradually being dissolved by the Ministry of Agriculture. Second and third level cooperative organizations are being encouraged to expand their activities, and primary level cooperatives that have an uneconomically small production base are expected to consolidate into Cooperativas Agropecuarias or merge with larger Cooperativas Agrícolas and form new Agropecuarias in order

to achieve economies of scale and attract capable management talent.

In summary, the Chilean agricultural cooperative sector is currently in a state of fragmentation and disorientation largely due to the effects of the agrarian reform. The greater majority of the small and medium farmer cooperatives, both in the traditional minifundista sector and the reform sector, are confronted with major inadequacies and inefficiencies in the areas of (1) cooperative administration, overall management and development, (2) availability of credit to finance production and marketing activities and (3) technical assistance at both the farmer-member and cooperative levels for purposes of developing and implementing improved production and marketing programs.

## 2. Project Description

At the present time rural cooperatives are faced with the challenge of assuming a larger and more complex role in Chile's rural economy. If the rural cooperative movement is not only to survive but also make a meaningful contribution to the recovery and solution of development problems confronting the country, the rural cooperative must become more efficient and development oriented.

Therefore, the specific purpose of this project is to improve the efficiency and adequacy of the managerial capacity and service capability of rural cooperatives which are primarily composed of low income farmers or artisan fishermen.

A related sub-purpose is to broaden and strengthen IFICOOP's capacity to provide relevant and efficient services to rural cooperatives which are (a) primarily composed of rural poor members and (b) action oriented in assuring that the benefits offered by the cooperatives reach the low income members.

A total of 1,105 cooperative officials from 85 cooperatives will participate in the following complementary training activities to be provided under this upgrading project.

a. Participation in formal courses/seminars held at centrally located training facilities. The average course/seminar will be held for ten class days (two weeks total time) with seven hours per day of scheduled activities. Approximately 20 individuals holding similar positions in their respective cooperatives will participate in each course/seminar. Every "trainee" will participate in two of these courses/seminars during the period of the project.

b. In-service training (internships) at well-established cooperatives. Each manager, accountant and cashier/secretary or other direct hire employee of the participating cooperatives will serve in two internships during the period of the project. Each internship or in-service training period will cover ten days during which time the "trainee" will be assigned to work with his or her counterpart in the established cooperative.

c. On-the-job training at the participating cooperatives. Each of the 85 cooperatives participating in the project will receive, on the average, 25 days of assistance from IFICCOOP upgrading staff and contracted consultants (when necessary) during the period of the project. This support will consist of working directly with the "trainees" on a one-to-one basis in assisting them improve their execution of daily job assignments and responsibilities.

All trainees involved in the Upgrading Project will participate in both the formal courses/seminars and the on-the-job training activity. In addition to participation in (a) and (c), all managers, accountants and appropriate staff personnel will also serve an internship (in-service training) at well-established cooperatives.

#### D. Summary Findings of Analyses

The technical, financial and socio-economic analyses conducted on this project support the conclusion that the upgrading project is feasible.

The target population of this project are those agricultural and fishing cooperatives whose membership are primarily composed of traditional small farmers, reform sector farmers and artisan fishermen.

The upgrading methodology to be utilized in the project encompasses three types of complementary and innovative training activities which provide for adequate participation of the "trainees" in the design and implementation of the upgrading activities. Although a well-trained manager and accountant are badly needed by the rural cooperatives to be included in this project, the long-run success of these cooperatives is dependent upon a much broader base of management and leadership capabilities. Therefore, the upgrading activities proposed under this grant project will encompass 13 participants from each of the 85 cooperatives expected to participate in the project.

With regard to financial soundness of the recipient and executing institution, IFICOOP has demonstrated its financial management capability and soundness by not only preserving its capital over the last five years, but also by expanding its lending activities during a period when other financial institutions in Chile have been confronted with the problem of serious decapitalization.

#### E. Project Issues

The DAEC guidance cable (State 012686) notified USAID of AID/W approval of the PRP submitted for this Project. However, the following issues was raised in the guidance cable and was to be addressed in the process of preparing the PP:

1. "...clearly describe this component's (project's) relation to the FY75 IFICOOP Loan (513-T-065) and the proposed ICIRA loan, and should explain why it is appropriate to include this component in this sector project rather than separately or as part of the ICIRA Loan."

Further analysis of this project has led to the conclusion that the nature of the problems, the purpose of the project and the arrangements that are necessary for project implementation are clearly distinct from the ICIRA loan and other A.I.D. agricultural projects. Thus, USAID has decided that the project should be submitted separately. This project's relationship to the FY 75 IFICOOP loan and the proposed ICIRA loan is provided under the following sections:

Socio-economic Analysis (pp.37-45 ) ; and Inter-Institutional Coordination (p.52 ).

Additionally, the DAEC review cable requested that the following points be addressed in the process of PP preparation:

1. "The current situation with respect to cooperative organization and management in the target cooperatives, and the incremental benefits to small farmers who are cooperative members that will result from this activity."

These points are addressed in the following sections: Current Problems Confronting the Rural Cooperative Movement (pp.10-12); Technical Analysis (pp.25-28 ); Socio-economic Analysis (pp.37-45); and the Logical Framework Summary (pp.21-25).

2. "The rationale for financing the establishment of four additional IFICOOP regional offices and the availability of qualified personnel to staff these offices."

First, A.I.D. funds under this grant will not be utilized to finance the establishment of any regional offices (see Implementation Arrangements, pp.47-57).

Secondly, USAID and IFICOOP have determined that qualified personnel are currently available and willing to be employed at the salary and benefit levels provided in the grant budget. However, at least four months of staff training/orientation will be necessary to assure that the staff hired for this project fully understand the project purpose, training methodology, target group focus and the administrative/support arrangements that will be established within IFICOOP and with other appropriate organizations (see Technical Capability of the Upgrading Project Staff, pp.27-28).

3. "The impact of current GOC policy, which encourages smaller cooperatives with inadequate management talent to consolidate or merge with larger coops, on the coops to be involved in this activity."

This point is addressed in the following sections:  
Current Problems Confronting the Rural Cooperative Movement  
(p.10); Target Population (pp.40-42); Benefit Incidence (pp.42-44);  
Impediments to Achievement of Project Purpose (pp.44-46); and  
Appendices A, B, C and D.

4. "The ability of IFICOOP to continue this activity  
following completion of A.I.D. funding."

This point is addressed in the following sections:  
Purpose (p.22); End of Project Status (p.23); Logical Frame-  
work Summary (p.24); and Project Budget and Financial Plans  
(pp.33-37).

## II. PROJECT BACKGROUND AND DETAILED DESCRIPTION

### A. Overview of Agricultural Sector's Role in Chile's Development

#### 1. Historical Setting

Chile's economic and social development has been adversely affected by a historically slow rate of growth in agricultural production. During the period of 1930-1964, agricultural output increased by a yearly average of 1.8 percent, while population increased 2.5 percent annually during the same period. The agrarian crises of 1964, 1970 and 1973 can be largely attributed to (1) government economic policies and (2) inequitable land tenure arrangements; both of which had prevailed for over a fifty year period.

Historically, government policies have generally been biased against the rural population in favor of the urban-industrial centers. A good example of this problem concerns pricing policies. Prices of basic food items consumed by the urban population were fixed at lower than market rates, without providing adequate incentives to stimulate increases in food production at the farm level.

With regard to land tenure structures, earlier governments' policies can be traced back to the policies pursued by the Spanish colonizers. Large tracts of land were placed in the hands of a relatively small number of families of high military rank or social status. Thus, the Spanish colonization policies provided the basis for the development of a latifundio pattern of land ownership primarily located in the fertile areas of central and southern Chile. Under these land tenure arrangements, the landlords (latifundistas) exercised almost complete control over most of the productive lands and the rural population who lived and worked on the latifundios.

The Spanish colonization policies also laid the groundwork for the development of a minifundio pattern of land holdings. Small tracts of land located in the more isolated and less fertile coastal and mountainous regions of Chile were granted by the Spanish Crown as favors to individuals of lower military

rank or social status. The evolution of the minifundio sub-sector has resulted in both commercially viable small farms and farms which at best, provide for no more than a level of subsistence living.

## 2. Land Reform

The electoral reforms of 1958 represented the first attempt by the government to integrate the rural campesino population into Chile's development process. In pursuing the campesino vote for the 1964 election, the urban-based political parties stressed agrarian reform as part of their campaign platforms. Once the 1964 elections were over, the new government could not ignore the expectations and pressures for agrarian reform that were raised during the campaign.

At the time of the 1964 elections, Chile's agricultural sector was in serious trouble. It was characterized by a concentration of land holdings and earnings in the hands of a small number of families, underutilization of resources, lagging production and severe unemployment. More specifically, two percent of the farms accounted for roughly 70 percent of the arable land; forty percent of the irrigable land in the Central Valley was in unimproved pastures; and rural unemployment was estimated at 25-30 percent.

Although land reform laws were enacted in 1962 the most significant and comprehensive land reform measures were implemented during the 1967-1973 period. As shown in Tables I and II, by end of 1973 over 5,800 latifundios encompassing 60 percent of Chile's irrigated lands and over 70 percent of the country's dry lands had been expropriated. These expropriated lands were gradually settled by approximately 58,000 families<sup>1</sup> under the asentamiento system.<sup>2</sup>

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<sup>1</sup> These 58,000 families represented approximately 15 percent of the rural population.

<sup>2</sup> The asentamiento is a communal farming arrangement created and administered by the Government for a transitional period during which time the land reform agency (CORA) assists in farm management, payment of wages, organizing various types of associations and cooperatives and developing technical and managerial talent.

TABLE I

Chile: Land Expropriations From 1965 to 1973.

Surface Area in Hectares

Year	N° of Parcels	Irrigated	Dry Arable	Dry Non-Arable	TOTAL
1965	99	41,260	21,138	478,784	541,183
1966	264	57,794	38,047	430,260	526,111
1967	217	50,584	31,638	202,802	285,026
1968	220	44,681	35,993	576,572	657,247
1969	313	54,421	84,785	730,865	870,071
1970	297	41,552	390,462	781,388	1,213,398
1971	1,374	177,481	370,789	1,476,450	2,026,720
1972	2,189	211,977	302,474	2,498,236	3,012,687
1973	830	49,989	91,246	587,842	729,078
TOTAL	5,803	729,742	1,366,574	7,765,199	9,861,516

Source: Main Characteristics of the Chilean Agricultural Situation, ODEPA, 1974.

TABLE II

Relationship Between the Potential Use  
Of the Contry's Surface Area and Expropriations  
(in thousand hectares)

	Country <sup>a/</sup>	Expropriated <sup>b/</sup>	Percentage
Irrigated	1,200	730	60.8
Dry Arable	4,280	1,367	31.9
Dry Non-Arable	19,980	7,765	38.9
<u>Total Productive</u>	25,460	9,862	38.8
<u>Total in Country</u>	72,695		

Source: CORA

a/ Agricultural Development Plan 1965, ODEPA

b/ CORA

The policy being implemented by the present Government is to disengage the State from ownership and management of these farms and to distribute property titles as rapidly and prudently as possible. While the asentamiento concept of communal operation of the farms is being eliminated in favor of individual ownership, the GOC is simultaneously assisting in the formation of cooperative-type associations called SOCA's (Sociedades de Cooperación Agrícola) which will be used to retain some of the advantages of communal operation. Furthermore, when a farming operation inherently makes parcelization unfeasible such as in the case of dry land livestock grazing operations, or where water rights are inherently indivisible, farming will be done on a cooperative basis. The GOC estimates that the land titling process will be completed by the end of 1977, by which time approximately 49,000<sup>3</sup> farm families will have received titles individually or on a cooperative basis.

#### B. Evolution of Chile's Rural Cooperative Structure

As of 1973 there were over 1,800 registered cooperatives in Chile. Approximately 40 percent or 793 cooperatives with 152,984 members were located in the agricultural sector.<sup>4</sup> However, estimates from both national level cooperative institutions and government agencies indicate that (1) it is unlikely that more than 500 of the cooperatives in the agricultural sector are currently active and (2) only 200 to 250 of these can be considered economically viable.<sup>5</sup>

Since Government Decrees 12 and 13 enacted in 1968 under the Agrarian Reform Law, the organization of the rural cooperatives has undergone a series of major changes. In order to better understand the present situation of Chile's rural cooperatives and the problems with which they are confronted, a historical

<sup>3</sup> CORA intended final assigned families based on USAID/Chile Agricultural Sector Assessment.

<sup>4</sup> "Las Cooperativas como Empresas de Participación Popular en el Proceso de Desarrollo" Government of Chile presentation at the Second OAS Conference of Inter-American Governments on Cooperatives, Santiago, May 13-17, 1974; p. 57. Urrutia H. Eduardo, "El Cooperativismo Agrario" Cooperative Studies Center Catholic Univ., Santiago, May, 1975, p. 91-11.

<sup>5</sup> In a study completed in May 1975 by Felipe Paul and others "Estudio Regional de Cooperativas Rurales y Pesqueras", only 344 cooperatives in the agricultural sector were found to be active.

perspective is essential.

1. Cooperativas Agrícolas and Cooperativas de Electrificación Rural

The earliest rural-based cooperatives were the Cooperativas Agrícolas and the Cooperativas de Electrificación Rural, which were established in 1929 under Public Law 4531. The actual organization and operation of the rural electric cooperatives did not begin until the Pilmaiquén Hydroelectric Plant was completed in 1944. The activities of the rural electric cooperatives have been primarily limited to a specialized function of installing electric capacity and distributing electricity in rural communities and areas of the country.

The Cooperativas Agrícolas were originally established as multi-service cooperatives with the dual objective of (1) assisting their members in obtaining as high a return as possible on their agricultural production activities and (2) improving the general well-being of their rural members. The cooperatives were to achieve these objectives by offering a variety of services: processing and marketing of agricultural products, volume purchases of agricultural inputs (farm supplies) and procurement of other services related to agricultural activities as may be needed by their members.

Although the Cooperativas Agrícolas provide multi-services to their members, the Cooperatives' membership base and operations have developed along particular product lines. By 1973 there were 162 types of Cooperativas Agrícolas encompassing 33,809 members and representing 25 percent of the cooperatives in the agricultural sector.<sup>6</sup> The larger sub-groups as defined by product specialty are listed below:

Type of Cooperativa Agrícola	Number	Active Membership <sup>7</sup>
Fishing	53	4,500- 5,000
Milk	21	6,700- 8,200
Livestock	16	5,000- 6,000
Wine	14	1,660
Poultry	9	1,800
Fruit	9	700- 1,000
Swine	5	1,500- 2,000

<sup>6</sup>Ibid. Urrutia, H. Eduardo, p. 9.

<sup>7</sup>A. I. D. Capital Assistance Paper, "Chile Agricultural Cooperative Development Loan", December 1974, p. 33.

## 2. Cooperativas Agrícolas de Colonización

In 1935 the Chilean Colonization Agency (Caja de Colonización Agrícola) was created under Public Law 5604. In order to provide an organizational structure which could serve the agricultural needs of the newly created frontier settlements, the Cooperativas de Colonización were established under the same law creating the Colonization Agency. The organization of these colonization cooperatives was restricted to the colonies established by the Colonization Agency.

Through the colonization cooperative structure the settlers were able to organize their production, manage their lands and utilize farm equipment/machinery on a collective basis. As of 1973 there were 52 Cooperativas Agrícolas de Colonización with 3,899 members, which represented 5 percent of the cooperatives in the agricultural sector.<sup>8</sup>

## 3. Cooperativas de Reforma Agraria

The issuance of Decree 12 in 1968, under the provision of Agrarian Reform Law 16,640, created the Cooperativas de Reforma Agraria (Agrarian Reform Cooperatives). The primary objective in creating these cooperatives was to provide the newly settled agrarian reform beneficiaries with a local or community based organizational structure which would provide them with the benefits obtained from working and living on a cooperative basis.<sup>9</sup> To allow for greater organizational flexibility, three sub-categories of agrarian reform cooperatives were established:

(a) Cooperativa de Asignatarios: consists of members who own land individually or jointly with other land

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Ibid. Urrutia, H. Eduardo, p. 11.

<sup>9</sup> Although State-Administered asentamientos were the initial organizational structures under which the land reform beneficiaries were settled the asentamiento was considered a transitional organization until the Land Reform Agency (CORA) could transfer title of the land from the State to the beneficiaries.

Under the asentamiento system, Agrarian Reform Agricultural Societies (SARAs) were formed as legal entities in which CORA and the beneficiaries served as members, in order to operate the asentamiento farm and achieve the goals of the asentamiento system. During the 1970-1973 period, Agrarian Reform Centers (CERAs) were created so that the asentamiento farms could be exploited collectively on a permanent basis.

reform beneficiaries. The objective of this type of cooperative is to provide its members with multi-services connected with the production and marketing of their agricultural produce.

(b) Cooperativa Asignataria de Tierras: consists of members who own and manage their land only on a communal or joint basis, with the title assigned in the name of the cooperative. The objective of this type of cooperative is to provide its members with the opportunity to work their land as a multi-family agricultural production enterprise.

(c) Cooperativa Mixta: consists of both types of members and land ownership arrangements described under (a) and (b). The Cooperativa Mixta is considered a variation of the multi-family agricultural production enterprise concept.

The 202 Agrarian Reform Cooperatives established by 1973 consisted of 9,918 members and represented 7 percent of the cooperatives in the agricultural sector.<sup>10</sup>

#### 4. Cooperativas Campesinas

The Cooperativas Campesinas were created under Agrarian Reform Law 16,640 by Decree 13 issued in 1968. The objective of the Campesino Cooperatives is to improve the social, economic and cultural status of the campesinos and provide them with an institutional structure through which they can be integrated into the national economy.

Since 1968 three sub-types of campesino cooperatives have developed:

(a) Cooperativas Campesinas de Servicios Múltiples: a variety of services, such as marketing, purchase of agricultural inputs and provision of consumer goods are provided to their members who are usually involved with small scale (minifundio) production of several agricultural products.

(b) Cooperativas Campesinas de Producción en Común: land is owned individually by the campesino members but is farmed and managed on a cooperative basis.

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Ibid. Urrutia, H. Eduardo, p. 10.

(c) Cooperativas Campesinas Mixtas: represent a combination of (a) and (b) where some of the members manage their land individually, while others manage their production activities on a cooperative basis.

As of 1973 there were 308 campesino cooperatives encompassing 86,380 members, which represented 63% of the cooperatives in the agricultural sector.<sup>11</sup>

5. Cooperativa Multi-Activa Regional (Multirrecoop)  
The organization of multi-service regional cooperatives (Multirrecoops) was an outgrowth of the 1967 Agrarian Reform Law and subsequent Decrees in 1968 creating the agrarian reform and campesino cooperatives. The Multirrecoops are legally established as secondary level regional cooperatives and regulated by the General Cooperative Law of Chile.<sup>12</sup>

As a secondary level cooperative, the Multirrecoops membership is limited, by law, to primary level cooperatives and other legally incorporated non-profit campesino organizations. More specifically, the following legally incorporated groups can join a Multirrecoop: agrarian reform cooperatives, campesino cooperatives, agrarian reform agricultural societies (SARAs), campesino and industrial unions and other campesino associations.<sup>13</sup>

The primary objective of the Multirrecoop is to provide its members with the following services: commercialization (marketing, processing and distribution) of their agricultural products; provision of agricultural inputs (farm supplies) and consumer goods; provision of farm machinery and equipment organized on a pool basis; development of industrial activities which serve members' needs and, organization of technical assistance programs to assist members in resolving problems associated with production, marketing and cooperative administration.

By 1973 there were 14 Multirrecoops with 29,650 members. Approximately 60% of the asentados (land reform

<sup>11</sup>

Ibid. Urrutia, H. Eduardo, p. 9.

<sup>12</sup>

Ley General de Cooperativas, April 1963 with subsequent revisions as of June 1975.

<sup>13</sup>

Fernández Farías, Sergio. Pérez, Reveco and San Martín, Derecho Cooperativo, Editora Quilantal Ltda., Santiago, May 1971, pp. 616-632.

beneficiaries) were associated with the Multirrecoops vis -a-vis their membership in agrarian reform cooperatives and SARAs.

6. Sociedad de Cooperación Agrícola (SOCA)

The SOCA is a flexible, local level cooperative-type organization formed to facilitate the administration of common assets (machinery, buildings, etc.) remaining from the dissolution of a collective farm or asentamiento. Officially established under Decree 1107 and Regulation 289 promulgated in July and August of 1975 respectively, a SOCA can (1) function as an autonomous organization with recognized legal status for purposes of obtaining credit, etc. and (2) join a secondary level cooperative such as Multirrecoop or a Cooperativa Agropecuaria. In certain cases, the individual members of a SOCA can also become members of a primary level cooperative.

According to the Cooperative Department of the Ministry of Agriculture's Planning Office (ODEPA), 140 SOCA's were in the process of being formed as of May 1976.

7. Cooperativa Agropecuaria

The Cooperativa Agropecuaria has been created by the current government as a regional-based cooperative with statutes allowing for membership to consist of both primary level agricultural-based cooperatives and individual farmers. Although no specific government decree has been promulgated to establish the Agropecuarias, they are regulated by the General Cooperative Law of Chile.

The primary objective of the Agropecuaria is to provide its members with the following self-financed services due to economies of scale: commercialization (marketing, processing and distribution) of their agricultural products; provision of agricultural inputs (farm supplies); provision of farm machinery and equipment organized on a pool basis; and, organization of technical assistance programs to assist members in resolving problems associated with production, marketing and cooperative development.

On the basis of information provided by the Cooperative Department of ODEPA, 11 Agropecuarias had been established and 10 others were in the process of being established

as of May 1976.

C. Current Problems Confronting the Rural Cooperative Movement

Over 70 percent of the 793 legally registered cooperatives located in the agricultural sector by the end of 1973 were organized during the preceding seven year period. Since the agricultural sector was dominated by land reform activities and corresponding political struggles during the 1967-73 period, the rural cooperatives established during this period were subjected to heavy political pressures as efforts were made to gain or win over political support at the election polls. Unfortunately, cooperative promotion and organization efforts greatly exceeded the capacity of the government and the cooperative movement to provide adequate training, technical assistance and financial support to such a large number of newly organized cooperatives.

Moreover, during the last few years of this expansionary period for rural cooperatives, the services that were offered to the rural sector by government institutions were highly subsidized. These subsidized services significantly limited the support which second and third level cooperative service organizations could contribute towards the development of an independent rural cooperative movement.

Presently, the rural cooperative movement consists of probably no more than 360 small farmer cooperatives (i.e., campesino, fishing and agrarian reform cooperatives) of which (1) approximately 200 are organized without an economically viable base and currently unable to operate without continued subsidies and (2) the remaining 160 have an economically viable base but are plagued with serious managerial and financial problems resulting in inefficient and ineffective services being provided to their members.

In dealing with the needs and problems of the agricultural sector, the GOC has decided to rely on the rural cooperative movement as the principal institutional framework for overcoming the present constraints to increasing production, developing domestic and export markets and raising incomes of the rural poor. The current government policy is one of eliminating State subsidies and reducing State involvement in the productive activities wherever

private sector participation can and will be forthcoming.

As part of the Government's desire for a consolidation of existing rural-based cooperatives, inoperative and economically unviable cooperatives are gradually being dissolved by the Ministry of Agriculture.<sup>14</sup> Second and third level cooperative organizations are being encouraged to expand their activities, and primary level cooperatives that have an uneconomically small production base are expected to consolidate into Cooperativas Agropecuarias or merge with larger Cooperativas Agrícolas and form new Agropecuarias in order to achieve economies of scale and attract capable management talent.

In summary, the Chilean agricultural cooperative sector is currently in a state of fragmentation and disorientation largely due to the effects of the agrarian reform. The greater majority of the small and medium farmer cooperatives, both in the traditional minifundista sector and the reform sector, are confronted with major inadequacies and inefficiencies in the areas of (1) cooperative administration, overall management and development, (2) availability of credit to finance production and marketing activities, and (3) technical assistance at both the farmer-member and cooperative levels for purposes of developing and implementing improved production and marketing programs:

The same conclusions concerning fragmentation, disorientation and ineffectiveness can be applied to most of the numerous cooperative federations and confederations which are organized by province, product specialty, service, etc. Although the agricultural cooperative movement is not lacking in number or level of federations, confederations and national level cooperative service organizations, most of these higher level organizations have not been able to provide much more than a forum through which their numbers have been able to make their problems more widely known.

However, there are a few exceptions such as the national supply cooperative federation; several strong product oriented

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During the period from January 1975 through April 1976, 35 cooperatives (including 27 campesino coops) were dissolved by Government decrees issued by the Ministry of Agriculture. (Tabulated from the Diario Oficial published by the GOC.)

federations such as those involved with wine and milk; the recently established Confederation of Agricultural Cooperatives (COPAGRO); the Chilean Institute for Cooperative Education (ICECOOP); the Institute for Cooperative Auditing (AUDICOOP); and the Cooperative Finance Institute (IFICOOP) which is the proposed recipient of this Grant.

D. Present National Level Support in the Rural Cooperative Movement.

1. Confederation of Agricultural Cooperatives (COPAGRO)

With the approval of its legal status in January 1975 and initiation of activities in the fall of 1975, COPAGRO is a recent arrival on the agricultural cooperative scene. COPAGRO was created in order to (a) provide national leadership among the various types of agricultural cooperatives and their respective federations and (b) take advantage of a unique opportunity in the history of Chile to acquire State-owned agro-industries and specialized marketing organizations accompanied by existing technical and administrative capacities that would normally require years to develop with newly established organizations. The ownership of these existing agro-industries would strengthen the entire cooperative movement. At present about sixty cooperatives and other cooperative organizations have joined together to form COPAGRO.

COPAGRO's recent and tentatively planned acquisitions include:

a) Purchase of 98% of the shares of the Banco O'Higgins from the Chilean Development Corporation (CORFO) for US\$10 million was finalized in October 1975 with a guarantee from the Central Bank of Chile to finance the purchase over a ten year period. The Bank is a highly successful commercial enterprise and the second largest in Chile in the field of export financing.

During 1976 COPAGRO plans to create a new department within the Bank to provide agricultural credit exclusively for agricultural cooperatives. Outside capital is being sought to

operate the new department rather than disturbing the present operation and portfolio of the Bank.

(b) The US\$1.5 million acquisition of SOCORA, the national agricultural export marketing corporation, was realized during November 1975. SOCORA handles approximately 35 to 50% of Chile's agricultural exports. One of the principal reasons why COPAGRO purchased SOCORA is its established position in international trade circles.

(c) Expected purchase of the Matadero Lo Valledor, a large Santiago slaughter house, during 1976. The slaughter house has the capacity to handle beef production in the Santiago area and all that could potentially be transported from the southern half of the country.

(d) Purchase of ENS, the national seed plant, is planned for sometime in the fall of 1976. The plant is expected to cost somewhere in the neighborhood of US\$8 - 10 million when offered for public bidding. Since COPAGRO believes that the plant is a critical acquisition due to the importance of having high quality seeds available when needed for capturing optimal production levels, every source is being investigated in an attempt to secure the necessary financing.

Therefore, during the time frame of less than one year, COPAGRO's efforts and activities have been basically concerned with the previously described acquisitions. Although COPAGRO is eventually expected to provide representation services and technical assistance to all its member cooperatives and cooperative federations, COPAGRO's specific functions and relationships with the various types of cooperatives in the agricultural sector still remain unclear.

Moreover, COPAGRO's Board of Directors has been principally composed of representatives from the larger and more established Cooperativas Agrícolas in order to assure that COPAGRO's acquisition activities are planned and executed with well-qualified professional advice. Thus, with the present orientation of the leadership in COPAGRO towards large scale cooperative-owned agro-industries, it is difficult to determine (a) the degree of involvement

that the campesino and reform sector cooperatives will have in COPAGRO's development and (b) the type and magnitude of benefits that will accrue to these smaller cooperatives' members from COPAGRO's activities.

2. Institute for Cooperative Education (ICECOOP)

ICECOOP was established in 1963 as a national level cooperative organization to provide a variety of educational services to the entire Chilean cooperative movement. ICECOOP's membership consists of all levels of the cooperative movement (i. e., primary and secondary coops; federations and confederations; and other national level cooperative service organizations).

ICECOOP's activities are based on the following three general objectives:

(a) Establish and develop a permanent system of communication among members of the Chilean cooperative movement and between the Chilean and international cooperative organizations.

(b) Develop the human resource capacity of the Chilean cooperatives in order to develop the cooperative movement.

(c) Participate with other national level cooperative institutions in the formulation and implementation of policies directed at developing the cooperative movement.

In working toward these objectives ICECOOP is primarily involved in the following activities:

a. Communications:

(1) preparation and distribution of pamphlets, documents and books on subjects related to cooperatives;

(2) preparation and distribution of information bulletins on activities of the cooperative movement in Chile and world-wide;

(3) maintenance of a library and documentation center on cooperative related materials.

b. Training:

(1) preparation and administration of specific courses on the various aspects of cooperative organization, management and development;

(2) organization and coordination of seminars for local and international participants on current issues facing the cooperative movement in Chile and/or world-wide.

c. Research Studies:

(1) organization and implementation (in coordination with other cooperative institutions) of research studies on various problems confronting the cooperative movement.

In obtaining financing for its operations, ICECOOP is primarily dependent on contributions from the cooperative movement. Since the well-established urban cooperatives have historically dominated the Chilean cooperative movement, ICECOOP has mainly concentrated its efforts on providing assistance to the urban cooperatives and assisting in teaching courses at the universities on the principles of cooperativism. Nevertheless, during the last two years ICECOOP has organized over 20 seminars and courses on agricultural cooperative development for members of Cooperativas Agrícolas, Campeñas and Multirrecoops. Although the seminars/courses have been somewhat general in terms of subject matter presented, ICECOOP is interested in continuing to play a role in the development of relevant training programs for officers of small farmer based cooperatives. It is intended that IFICOOP will integrate the specialized communications and training resources of ICECOOP into the Up-grading project where feasible.

3. Institute for Cooperative Auditing (AUDICOOP)

AUDICOOP was established in 1970 on the initiative of IFICOOP, ICECOOP and the Confederation of Chilean Cooperatives (CONFECOOP). AUDICOOP's principal objective is to provide auditing and accounting services to Chilean cooperatives at the lowest possible cost. In order to maintain a professional standard in the service it provides to cooperatives, the fundamental auditing and accounting procedures followed by AUDICOOP staff are those recommended by the American Institute of Certified Public Accountants. AUDICOOP also maintains a formal support

agreement with Arthur Young and Company, through their local representative, whereby AUDICOOP can call upon any of the auditing and accounting expertise of Arthur Young and Company to assist in resolving problems encountered in a particular cooperative or federation. AUDICOOP currently employs over 15 professionals and serves 40 permanent cooperative clients along with numerous other cooperatives. Specifically, AUDICOOP's services can be broken down as follows:

- a. Financial auditing.
- b. Legal advice of whether or not a cooperative's activities are within the statutes and National Cooperative Laws.
- c. Consulting on (1) design and implementation of accounting and financial procedures and systems, (2) preparation and analysis of budgets and financial plans, and (3) evaluation of specific projects proposed or completed by cooperatives.
4. Cooperative Finance Institute (IFICOOP)

IFICOOP was established in 1965 and initiated operations in 1966. It has since become one of the key cooperative institutions supporting the development of the Chilean cooperative movement.<sup>15</sup>

Membership in the Institute includes all the principal types of cooperative institutions in the rural sector, covering both fishing and agriculture. IFICOOP operates at all of the institutional levels of the Chilean cooperative movement with small and large primary level cooperatives, with regional cooperatives and unions, with federations and the confederation.

IFICOOP is recognized by the cooperative movement and GOC for its role in the history of integrating cooperative interests for sound investment projects and development of sound

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The organization, services and evolution of IFICOOP have been extensively described in the CAP: Chile Agricultural Cooperative Development, AID DLC/P-2064, December 1974.

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cooperative institutions. IFICOOP was instrumental in the establishment of the institute for cooperative auditing (AUDICOOP); the general risk insurance cooperative (UCOSEG); and the apex confederation organization of Chilean cooperatives, (CONFECOOP). IFICOOP has also established working relationships with a broad spectrum of Chilean and international agencies concerned with rural development in the country. Among these are the Chilean Land Reform Agency (CORA); the Institute for Agricultural Development (INDAP) and the Office of Agricultural Planning (ODEPA); the Agrarian Reform Institute for Research and Training (ICIRA); the Chilean State Bank (BECH); the Inter-American Development Bank; the World Bank; and the Agency for International Development.

The effectiveness of IFICOOP's efforts thus far is primarily a result of a focus on economic soundness for maximization of investment opportunities. With the assistance of the US\$15 million A.I.D. Loan (065) provided in April 1975, IFICOOP has become an important source of credit and project-related technical assistance for the campesino cooperatives, fishing cooperatives and multirrecoops. The first disbursement under this Loan was in December 1975. As of July 1976 approximately US\$4 million of the A.I.D. Loan had been disbursed in the form of 53 sub-loans benefitting a target group of some 45,000 cooperative members.

With the 1975 promulgation of a law permitting long-term lending institutions, such as IFICOOP, to provide short-term credit (less than a year) on a readjustment basis, IFICOOP has made a tentative arrangement with the Central Bank to establish a line of credit for production activities. Through this arrangement IFICOOP will be able to tap the funds made available to the national banking system by the World Bank and A.I.D. production credit loans, and thus channel some of these funds to low income farmer cooperatives.

At the present time IFICOOP is able to assist the rural cooperative movement in resolving two of the three fundamental problems confronting most agricultural-based cooperatives (i. e., lack of credit to finance production and marketing activities and a lack of technical assistance for the development of production, processing and marketing projects). The third basic problem,

concerning inefficient and inadequate cooperative administration, overall management and organizational development, prevents many potentially viable rural cooperatives from qualifying for credit and project-related technical assistance from IFICOOP and other lending institutions. In addition, weak management reduces cooperatives from administering projects of larger scale with greater income/welfare impacts on a broader segment of the cooperatives' members. Unless these cooperatives receive assistance in reducing their administrative/management inefficiencies and inadequacies, they will not be able to realize the economic benefits that are potentially available through the cooperative movement.

Therefore, the cooperative upgrading assistance specified in this proposed grant project will directly address this problem. IFICOOP is proposed as the implementing agency for this project in order to assure that (a) the upgrading assistance has practical application in solving existing management problems, and (b) there is continued assistance to the participating cooperatives in terms of follow-on credit and technical assistance for specific project development.

IFICOOP has a positive experience in upgrading activities undertaken with its own resources. In 1972 IFICOOP initiated an experimental program with ten campesino and reform cooperatives in the Cautín province. This program provided training in management and accounting to upgrade the administration of local cooperatives to the point where they could solicit credit from IFICOOP or other credit institutions. As a direct result of this experimental program, the ten cooperatives were able to receive IFICOOP credit, and six cooperatives received credit from BECH and INDAP. Today IFICOOP maintains one full-time field agent in the Province to coordinate continued upgrading training and also to facilitate further integration of these cooperative groupings into the service structure of broader cooperatives in the province. This grant proposal will build upon this base of experience and accelerate and broaden its application.

E. Detailed Description and Logical Framework

1. Goal Structure

The Government of Chile's overall goals for the agricultural sector are: (a) to increase agricultural production for both domestic consumption and export in order to eliminate Chile's net food deficit and strengthen the balance of payments situation; and (b) to improve the socio-economic position of the low income rural population.

The general strategy chosen by the GOC to achieve these goals is to promote a return to a competitive, free market economy in order to stimulate more rational and efficient resource allocation and utilization throughout the agricultural sector. A major component of this strategy is to rationalize and strengthen the existing widespread but unnecessarily complex rural cooperative institutional structure. The GOC believes that the package of production and marketing services needed by the great majority of poor farmers, who presently do not have the capacity or resources to compete individually in either domestic or foreign markets, can be most efficiently and equitably provided through the cooperative institutional framework.

The GOC strategy of utilizing cooperatives as a means to achieve the broad sector goals can also be stated in the form of a sub-sector goal: the creation of a viable, efficient, multi-service cooperative system capable of meeting the complete cycle needs of the small farmer-members, which includes credit, production inputs, technical assistance, processing and marketing services.

2. Purpose

At the present time rural cooperatives are faced with the challenge of assuming a larger and more complex role in Chile's rural economy. If the rural cooperative movement is not only to survive but also make a meaningful contribution to the recovery and solution of development problems confronting the country, the rural cooperatives must become more efficient and development oriented.

Therefore, the specific purpose of this project is to improve the efficiency and adequacy of the managerial capacity and service capability of rural cooperatives which are primarily composed of low income farmers or artisan fishermen.

A related sub-purpose is to broaden and strengthen IFICOOP's capacity to provide relevant and efficient services to rural cooperatives which are (a) primarily composed of rural poor members, and (b) action oriented in assuring that the benefits offered by these cooperatives reach their low income members.

### 3. End of Project Status

The following conditions are expected at the end of this project:

a. At least 85% of the 85 cooperatives assisted by this project will be capable of providing their members with the services for which the cooperatives were organized.

b. At least 85% of the 225 managers, accountants and cashier/secretaries assisted will be able to execute their job functions effectively and efficiently.

c. At least 85% of the 880 members of the boards of directors and various committees assisted will be able to effectively perform the functions of their respective roles in the cooperatives.

d. At least 85% of the cooperatives assisted by this project will be able to qualify for credit and project-related technical assistance from IFICOOP and other lending institutions such as BECH, INDAP, etc.

e. IFICOOP will have institutionalized the cooperative upgrading capacity developed under this project and continues to finance the activities of one upgrading coordinator/specialist in each of its four regional offices.

### 4. Logical Framework Summary

The Logical Framework Summary is provided on pages 21, 22, 23 and 24.

PROJECT DESIGN SUMMARY  
LOGICAL FRAMEWORK

Life of Project:  
From FY 1980 to FY 1981  
Total U.S. Funding 1,000,000  
Date Prepared: 1/4/80

Project Title & Number: Rural Cooperative Upgrading

PAGE 1

NARRATIVE SUMMARY	QUANTITATIVELY VERIFIABLE INDICATORS Measures of Goal Achievement:	MEANS OF VERIFICATION	IMPORTANT ASSUMPTIONS
<p>Program or Sector Goal: The broad objective to which this project contributes:</p> <p>(1) To increase agricultural production for both domestic consumption and export in order to eliminate Chile's net food deficit and strengthen the balance of payments situation; and, (2) to improve the socio-economic position of the low income rural population.</p>	<p>(1) Progress in meeting GOC 1980 targets of 43% increase in agricultural production; 16% increase in land under cultivation; 112% increase in food exports; and 65% decrease in food imports, utilizing 1975 as the base year.</p> <p>(2) Average annual income of the target family will increase by more than the rate of inflation on an annual basis through 1980.</p>	<p>(1) Analysis of field data collected through Ministry of Agriculture under Agricultural Policy Planning Information System (PPIS).</p> <p>(2) National statistics primarily provided by the National Statistics Institute (INE) and the Ministry of Agriculture Planning Office (ODEPA).</p>	<p>Assumptions for achieving goal targets:</p> <p>(1) GOC will continue pricing policies, fiscal support, extension, research and other programs for agricultural recovery.</p> <p>(2) Chile's agricultural sector has significant export expansion potential.</p> <p>(3) Continued GOC interest in low income farmer development programs.</p>

PROJECT DESIGN SUMMARY  
LOGICAL FRAMEWORK

Life of Project: \_\_\_\_\_  
From FY \_\_\_\_\_ to FY \_\_\_\_\_  
Total U.S. Funding \_\_\_\_\_  
Date Prepared: \_\_\_\_\_

Project Title & Number: Rural Cooperative Upgrading

NARRATIVE SUMMARY	OBJECTIVELY VERIFIABLE INDICATORS	MEANS OF VERIFICATION	IMPORTANT ASSUMPTIONS
<p><b>Project Purpose:</b></p> <p>To improve the efficiency and adequacy of the managerial capacity and service capability of rural cooperatives primarily composed of low income farmers or artisan fishermen.</p> <p><b>Sub-Purpose:</b></p> <p>To broaden and strengthen IFICOOP's capacity to provide relevant and efficient services to rural poor member-based coops.</p>	<p>Conditions that will indicate purpose has been achieved: End of project status.</p> <p>At least:</p> <p>(1) 85% of the 85 coops. will be capable of providing their members with the services for which the coops were organized.</p> <p>(2) 85% of the 225 managers, accountants and cashier/secretaries will be able to execute their job functions effectively and efficiently.</p> <p>(3) 85% of the 880 members of the boards of directors and various committees will be able to effectively perform the functions of their respective roles in the cooperatives.</p> <p>(4) 85% of the 85 cooperatives will be able to qualify for credit and project-related technical assistance from IFICOOP and other lending institutions such as BECH, INDAP, etc.</p> <p><b>Sub-Purpose:</b></p> <p>IFICOOP will have institutionalized the upgrading activity by continuing to finance the activities of one upgrading specialist in each of its four regional offices.</p>	<p>(1) baseline data collected at beginning of project as coops are selected for participation and survey made at termination of project as part of evaluation plan.</p> <p><b>Sub-Purpose:</b></p> <p>IFICOOP's books and records</p>	<p><b>Assumptions for achieving purpose:</b></p> <p>(1) Cooperative model of organization offers greater advantages to low income farmers than other sources or models of organized services and assistance.</p> <p>(2) GCC will continue to support cooperatives through favorable policies.</p> <p>(3) Cooperative personnel trained in this project will remain at their cooperative for a reasonable period of time in which the cooperatives will have demonstrably benefited from the upgraded skill level of these personnel.</p> <p><b>Sub-Purpose:</b></p> <p>(1) IFICOOP remains competitive with other sources of cooperative financing.</p> <p>(2) IFICOOP remains committed to active supporting low income farmer cooperative.</p>

PROJECT DESIGN SUMMARY  
LOGICAL FRAMEWORK

Life of Project:  
From FY \_\_\_\_\_ to FY \_\_\_\_\_  
Total U.S. Funding \_\_\_\_\_  
Date Prepared: \_\_\_\_\_

Project Title & Number: Rural Cooperative Upgrading

PAGE 3

NARRATIVE SUMMARY	QUANTITATIVELY VERIFIABLE INDICATORS	MEANS OF VERIFICATION	IMPORTANT ASSUMPTIONS
<p>Outputs:</p> <p>(1) trained cooperative personnel (2) formal courses prepared and presented (3) cooperative management internships completed (4) on-the-job training provided</p>	<p>Magnitude of Outputs:</p> <p>(1) 1105 individuals from 85 cooperatives participate in all the training assistance activities scheduled.</p> <p>(2) 1270 days of formal course presentation on the various subject matter, including cooperative management, organization, communications, finance, technical assistance, production, marketing, etc.</p> <p>(3) 5850 days of management in-service training (internship) at well-established cooperatives.</p> <p>(4) 2125 days of on-the-job training assistance provided by IFICOOP upgrading staff.</p>	<p>(1) IFICOOP's Books and Records</p> <p>(2) Periodic progress reports submitted to USAID by IFICOOP</p>	<p>Assumptions for achieving outputs:</p> <p>(1) Target cooperatives already have or are able to obtain managerial and administrative personnel with the potential and minimum qualifications upon which the proposed upgrading activities can develop improved management and leadership capabilities.</p>

PROJECT DESIGN SUMMARY  
LOGICAL FRAMEWORK

Life of Project:  
From FY \_\_\_\_\_ to FY \_\_\_\_\_  
Total U.S. Funding \_\_\_\_\_  
Date Prepared: \_\_\_\_\_

Project Title & Number Rural Cooperative Upgrading

PAGE 4

NARRATIVE SUMMARY	CUMULATIVELY VERIFIABLE INDICATORS			MEANS OF VERIFICATION	IMPORTANT ASSUMPTIONS
Inputs:	Implementation Target (Type and Quantity)				
	(In U.S. \$)				
(1) Outside technical assistance: one contract technician and various short-term consultants.	AID	IFICOOP	Participating Cooperatives	(1) USAID disbursement records (2) IFICOOP books and reports (3) Cooperatives' books and reports.	Assumptions for providing inputs: (1) Well established cooperatives will provide the support necessary for the in-service training (internships).
(2) Local project management and technical assistance: one project director, four regional coordinators, eight cooperative specialists.	1. 10,000	-	--		(2) Effective coordination and support will be provided from other cooperative organizations such as ICECOOP, AUDICOOP and the Confederation of Campesino Cooperatives; from private consulting organizations; and from the university cooperative research programs.
(3) Training: formal courses; in-service (management internships); and on-the-job training.	2. 20,000	10,000	--		
(4) Commodities: audio-visual and training equipment; office equipment; vehicles.	3. 17,000	2,000	71,100		
(5) Support costs: office rent and utilities; secretarial assistance; vehicle operation and maintenance.	4. 50,100	10,000	--		
	5. --	100,000	--		
	6. 20,000	200,000	71,100		
	7. 50,100	20,000	50,000		
	8. 1,15,000	220,000	71,100		

\*\* - Inflation calculation

### III. PROJECT ANALYSIS

#### A. Technical Analysis

##### Upgrading Methodology

The upgrading program (UGP) will consist of the following three types of complementary training activities:

a. Participation in formal courses/seminars held at centrally located training facilities. The average course/seminar will be held for ten class days (two weeks total time) with seven hours per day of scheduled activities. Approximately 20 individuals holding similar positions in their respective cooperatives will participate in each course/seminar. Every "trainee" will participate in two of these courses/ seminars during the period of the project.

b. In-service training (internships) at well-established cooperatives. Each manager, accountant, and cashier/ secretary or other direct hire employee of the participating cooperatives will serve in two internships during the period of the project. Each internship or in-service training period will cover ten days during which time the "trainee" will be assigned to work with his or her counterpart in the established cooperative.

c. On-the-job training at the participating cooperatives. Each of the 85 cooperatives participating in the project will receive, on the average, 25 days of assistance from IFICOOP upgrading staff and contracted consultants during the period of the project. This support will consist of working directly with the "trainees" on a one-to-one basis in assisting them improve their execution of daily job assignments and responsibilities.

All trainees involved in the UGP will participate in both the formal courses/seminars and the on-the-job training activity. In addition to participation in (a) and (c), all managers, accountants and appropriate direct hire personnel will also serve an internship (in-service training) at well-established cooperatives.

In order to accomplish these three levels of training activities, the procedures described below will be followed:

a. IFICOOP's upgrading staff and contracted consultants will visit the cooperatives that will be sponsoring trainee participants in order to (1) familiarize themselves with the cooperatives and their problems and (2) assess the level of skills and needs of the cooperatives' management, technical and advisory personnel. The curriculum of the formal courses/ seminars will be developed on the basis of the information and data obtained on these visits. The formal courses/ seminars will be presented by organizations or individuals contracted on the basis of their skills and ability to teach the appropriate subject matter.

b. IFICOOP's upgrading staff will coordinate the internship assignments with the personnel of well-established cooperatives and the trainee participants to assure that the in-service training provided by these cooperatives is relevant to the needs and capabilities of the trainees.

c. On-the-job training will be provided by IFICOOP upgrading personnel and contracted consultants when necessary in close coordination with the participating cooperatives. Basically, this level of training activity will assist the trainee participants in applying what they learned from the courses/ seminars and internships in order to assure that their job performance in the cooperatives improves accordingly.

## 2. Selection of Participant Trainees

The key to the success of those cooperatives which provide relevant and efficient services to their members lies with the quality of their management and overall leadership. Although a well-trained manager and accountant are badly needed by the rural cooperatives to be included in this upgrading project, the long-run success of these cooperatives is dependent upon a much broader base of management and leadership capabilities. Therefore, the upgrading activities proposed under this grant project will encompass 13 members of each of the 85 cooperatives expected to participate in this project. The composition of the 13 participant trainees will be as follows:

1 manager  
1 accountant  
1 cashier/secretary  
2 members - board of directors  
2 members - vigilance committee  
2 members - credit committee  
2 members - technical assistance committee  
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3. Technical Capability of the IFICOOP Upgrading Project Staff

Although the staff to be hired for this project will have the necessary technical skills and experience in the various aspects of cooperative administration, overall management and development, the target group focus of the project together with IFICOOP's ongoing support activities for the rural cooperative movement will require a significant staff training and orientation period.

The training and orientation of the IFICOOP personnel specifically assigned to the upgrading project will take place over a four to five month period prior to the initiation of training courses for members of the participating cooperatives.<sup>16</sup> The UGP staff training will include:

a. Courses/seminars on the goals, objectives and purposes of the UGP and on the proposed training methodologies and associated logistical support;

b. Office orientation sessions on the organization, policies and program activities of IFICOOP; and, review of the administrative and management procedures that will be utilized in implementation of the UGP;

c. Field visits to Multirrecoop, campesino, fishing and agropecuaria cooperatives in order to (1) develop a preliminary list of cooperatives that qualify for participation in the upgrading project and (2) identify specific problems confronting these cooperatives and assess the level of skills and needs of the cooperatives' management, technical and advisory personnel.

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See Appendices A, B, C and D for a tentative list of cooperatives from which 85 cooperatives could be selected as meeting the criteria for participation in this project.

The UGP staff training will be under the direction of the staff of the Rural Development Department of IFICOOP. Major support for actual implementation of the staff training and orientation activities will be provided by (a) IFICOOP's Rural Development staff, (b) the outside cooperative training advisor to be available to IFICOOP during the first year of the project, and short-term outside consultants as needed by area specialty and local consultants from specialized cooperative organizations such as ICECOOP, AUDICOOP, and several well-established agricultural cooperatives, such as a Multirrecoop, whose membership is primarily composed of campesinos or agrarian reform beneficiaries.

#### 4. Environmental Impact Statement

This grant project will have negligible effects upon the environment. To the extent that the grant will indirectly increase the area in crop or livestock production activities, the effects on the present ecological environment should not be negative.

### B. Financial Analysis

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#### 1. Review of IFICOOP's Financial Soundness

The figures in the 1971-75 summary of IFICOOP's financial statements presented on page 30 indicate that IFICOOP has been able to maintain and expand its lending activities in a national economy which has been dominated by significantly high rates of inflation and major financial crises during the last three years.

A closer analysis of IFICOOP's financial situation in terms of capitalization, savings deposits, loan portfolio and equity to debt ratio yields the following observations and conclusions:

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<sup>17</sup>The presentation in this section relies heavily on the findings of two recent in-depth financial analyses of IFICOOP: (1) A.I.D. Capital Assistance Paper: Chile Agricultural Cooperative Development Loan, December 1974, pp. 94-107 and (2) A.I.D. Financial Review of IFICOOP, March 1976, pp. 1-9.

Five Year Summary of IFICOOP Financial Data

Stated in Constant Pesos <sup>a/</sup> - December 1974

(US\$ = 1.87 Pesos)

<u>Rate of Inflation</u>	<u>1971</u>	<u>1972</u>	<u>1973</u>	<u>1974</u>	<u>1975</u>
May to April	20.3%	38.1%	195.5%	746.2%	394.3%
<u>Rate of Exchange</u>	Escudos	Escudos	Escudos	Escudos	Escudos
As of June 30	12.23	15.83	120.00	750.00	5,000.00
<u>Balance Sheet Data:</u>					
Cash & Equivalent	91,450	446,069	253,497	216,439	1,117,496
Loans & Accts.Rec.	5,511,858	5,890,972	6,814,514	6,953,573	13,751,004 <sup>b/</sup>
Other Assets	154,761	165,187	351,227	442,552	271,334
Fixed Assets	130,014	120,216	332,887	257,893	1,852,486
TOTAL	5,888,083	6,622,444	7,752,125	7,870,457	16,992,320
Liabilities-Current	378,361	310,778	924,170	617,063	4,368,233
"    " Long Term	4,187,721	4,067,127	4,513,071	3,928,822	7,978,489 <sup>c/</sup>
Members Deposits	244,326	695,169	1,028,558	1,709,658	3,107,910
Equity	1,077,675	1,549,370	1,286,326	1,614,314	1,537,688
TOTAL	5,888,083	6,622,444	7,752,125	7,870,457	16,992,320
Equity to Debt Ratio	.22	.31	.20	.26	.10
<u>Income Statement Data:</u>					
Interest & Other Inc.	548,824	454,108	382,757	370,698	477,074 <sup>c/</sup>
Adm. Expense	164,182	163,052	153,756	145,842	169,907
Interest Expense	206,264	136,798	153,002	74,240	112,339 <sup>c/</sup>
Other Costs	129,261	126,497	48,488	96,349	179,663
TOTAL COSTS	499,707	426,347	355,246	316,431	461,909
Reported Net Profit	49,117	27,761	27,511	54,267	15,165
Directly Credited or (Charged) to Capital	125,743	443,934	(290,555)	273,721	(91,791)
Net Change in Equity	174,860	471,695	(263,044)	327,988	(76,626)

a/ Escudos were converted to Chilean Pesos in September 1975 at the rate of one peso = Escudos 1,000.

b/ Exchange losses relative to the first AID loan applicable to the loan principal are eliminated to make 1975 figures comparative with prior years. The GOC also guarantees to reimburse IFICOOP for any losses from exchange rate fluctuations.

c/ Short-term interest cost is deducted from reported interest income, for the following reasons:

- i) The short-term interest rate consists of expected losses due to inflation plus interest, therefore inclusion of short-term interest income tends to overstate income.
- ii) It is IFICOOP's practice to match short-term notes receivable with short-term obligations by selling notes receivable to private banks or other institutions.
- iii) IFICOOP entered into the short-term money market in 1975; therefore inclusion of short-term interest income distorts comparison with prior years.

a. Capitalization (excluding external loans):

IFICOOP has progressively increased its capitalization through earnings, subscriptions and contributions from member cooperatives. IFICOOP's net worth (capital, capital reserves and retained earnings) increased from 600 constant 1969 pesos in 1966 to 5000 in 1969. By 1972 the net worth figure reached 12,000 constant 1969 pesos and has been maintained at this level throughout the most difficult period of hyper-inflation experienced in Chile. The changes in IFICOOP's capitalization that have taken place from 1969 through 1975 are as follows (stated in constant 1969 pesos):

<u>Year</u>	<u>Net Worth</u>	<u>Dollar Equivalent</u>
1969	5,325	550,000
1970	7,187	723,000
1971	8,579	1,030,000
1972	12,334	1,538,500
1973	10,240	498,000
1974	12,851	846,000
1975	12,241 <sup>19</sup>	597,500

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Fluctuations in the dollar equivalent column are caused by changes in the Dollar/Peso exchange rates. Since the exchange rates have been known to change as much as 45% in one month (March 1975), the dollar equivalent figures should be taken only as rough guides since values obtained are dependent solely on the Dollar/Peso exchange rate used for conversion. The large dollar equity balances during the years 1971 and 1972 are due to the unrealistically low Dollar/Peso exchange rates maintained by the government at the time.

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Since disbursements under the 15 million dollar A.I.D. loan did not begin until December 1975, increases in capitalization due to this Loan were not included in IFICOOP's 1975 financial statements prepared as of June 30.

b. Savings Deposits: The amount of savings that member cooperatives have on deposit with IFICOOP has steadily increased over the past seven years. As seen in the following figures, in both 1974 and 1975 the amount of savings practically doubled from the previous year (stated in 1969 constant pesos):

<u>Year</u>	<u>Savings</u>
1969	1,170
1970	2,114
1971	1,945
1972	5,535
1973	8,188
1974	13,610
1975	24,741

c. Loan Portfolio. As demonstrated by the figures listed below, IFICOOP has been able to maintain a continuous growth pattern in terms of the value of loans made to member cooperatives (stated in 1969 constant pesos):

<u>Year</u>	<u>Loans to Coops</u>	<u>Long Term Debts</u>
1969	30,159	29,634
1970	45,487	37,788
1971	43,878	33,337
1972	46,896	32,377
1973	54,248	35,927
1974	55,355	31,276
1975	105,627	63,514

The expansion of IFICOOP's Loan portfolio has been made possible through the generation of both internal and external funds.<sup>20</sup> As of February 1976, approximately 13% of IFICOOP's portfolio in loans to rural cooperatives was overdue. However, only 1/2% of this total was overdue by more than six months.

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With respect to the external dollar funds obtained by IFICOOP for relending activities, exchange rate losses are incurred when the dollar exchange rate increases faster than the rate of inflation during an accounting period where dollar obligations exist. However, the GOC guarantees and eventually reimburses IFICOOP for any losses from exchange rate fluctuations.

d. Equity to Debt Ratio: As presented in the summary financial data on page 29, the equity to debt ratio has varied between .10 and .31, with the lowest position occurring in June 30, 1975. This is primarily due to the increases in current liabilities, long term debt and savings deposits which occurred in the last part of the financial year without the possibility of increasing equity by a similar amount during this period. However, disbursements from the 15 million dollar A.I.D. Loan during the latter half of 1975 and the first half of 1976 will raise the equity to debt ratio to approximately .25 by the close of the 1976 financial year.

With regard to IFICOOP's future earnings, a five year projection covering inflation and income and expenses generated from lending operations is summarized below (stated in thousands of dollars)<sup>21</sup>:

<u>Year</u>	<u>Rate of Inflation</u>	<u>Gross Income</u>	<u>Expenses</u>	<u>Net Income</u>
1977	200%	612	602	10
1978	150%	975	975	20
1979	100%	1114	1014	100
1980	100%	1241	1091	150
1981	80%	1333	1110	223

As IFICOOP continues to generate additional internal and external resources for loan operations in non-A.I.D. project areas (i.e., transportation coops, housing coops, urban supply coops, etc.) projected net income will probably be somewhat higher than the above-stated projections.

In conclusion, IFICOOP has demonstrated its financial management capability by not only preserving its capital, but also by expanding its lending activities during a time when other financial institutions in Chile have been confronted with the problem of serious decapitalization.

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As provided in the December 1974 CAP and revised by the March 1976 financial review.

## 2. Project Budget and Financial Plans

The Detailed Grant Budget and Summary Cost Estimate and Financial Plan are presented on pages 34 and 36 .

Of the U.S. \$1,413,860 estimated total project cost, \$1,015,851 or 72% will be financed by A.I.D., \$319,202 or 23% by IFICOOP and \$78,807 or 5% by the participating cooperatives. Approximately \$166,551 or 11% of the total project costs will be dollar expenses for contracting outside technicians and purchase of vehicles. All other project costs will be in local currency.

The sources of revenue upon which IFICOOP will have to depend to finance their share of the project costs are as follows:

	<u>1977</u>	<u>1978</u>	<u>1979</u>	<u>1980</u>
1. Income From Loan Operations	10,000	20,000	100,000	150,000
		US\$		
2. Cooperative Education & Technical Assistance Fund	<u>77,000</u>	<u>77,000</u>	<u>77,000</u>	<u>77,000</u>
TOTAL	<u>87,000</u>	<u>97,000</u>	<u>177,000</u>	<u>227,000</u>

The availability of funds from the Cooperative Education and Technical Assistance Fund is a critical factor in the financing of this Project. Resources from the Fund will be utilized to the maximum extent to meet counterpart contributions to the Project. To the extent that projected Fund resources are not sufficient to meet the counterpart requirements, IFICOOP's revenues from its rural lending operations will be used to meet Project costs.

When A.I.D.'s contribution to the financing of this project terminates in 1980, IFICOOP will continue to maintain four regional cooperative upgrading specialists on a permanent

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A 1 - 1/2% ad valorem tax collected annually from Chilean cooperatives provides the financing for the Fund. It is estimated that the Fund will receive around U.S. \$350,000/yr. during 1977-80. IFICOOP would be able to establish an agreement with the participating cooperatives in order to utilize up to 22% of the Fund's revenues as stipulated for special projects. See Appendix F for a detailed explanation.

**BUDGET \***  
(in U.S. dollars)

**TABLE A**

Item	T.Q. -FY 1977**			FY 1978			FY 1979			TOTAL		
	A.I.D.	IFICOOP	COOPS	A.I.D.	IFICOOP	COOPS	A.I.D.	IFICOOP	COOPS	A.I.D.	IFICOOP	COOPS
1. 1yr. external tech.	48,370	-	-	-	-	-	-	-	-	48,370	-	-
2. Short term tech.	26,960	-	-	20,220	-	-	13,480	-	-	60,660	-	-
3. Project Director	-	12,600	-	-	12,600	-	-	12,600	-	-	37,800	-
4. Regional Coordinators	39,600	-	-	39,600	-	-	-	39,600	-	79,200	39,600	-
5. Coop. Specialists	46,080	-	-	46,080	-	-	46,080	-	-	138,240	-	-
6. Office Equipment												
a. Secretary	-	14,400	-	-	14,400	-	-	14,400	-	-	43,200	-
b. Clerks	-	9,000	-	-	9,000	-	-	9,000	-	-	27,000	-
7. Per Diem for IFICOOP	14,200	-	-	14,200	-	-	14,200	-	-	42,600	-	-
8. IFICOOP Staff Training and Orientation	10,500	-	-	-	-	-	-	-	-	10,500	-	-
9. Develop. materials for Project	6,000	-	-	-	-	-	-	-	-	6,000	-	-
10. Training Courses	127,140	7,800	12,900	180,115	11,050	18,275	105,950	6,500	10,750	413,205	25,350	41,925
11. In-Service Training	18,000	-	6,000	38,250	-	12,750	31,500	-	10,500	87,750	-	29,250
12. Regional Office Exp.	-	9,600	-	-	9,600	-	-	9,600	-	-	28,800	-
13. Commodities	63,150	10,000	-	-	-	-	-	-	-	63,150	10,000	-
14. Vehicle Operation & Maintenance	-	27,000	-	-	27,000	-	-	27,000	-	-	81,000	-
Totals by Column	400,000	90,400	18,900	338,465	83,650	31,025	211,210	118,700	21,250	949,675	292,750	71,175
Totals by Year	509,300			453,140			351,160			1,313,600		
AID/IFICOOP/COOPS %	78.5%	17.8%	3.7%	74.7%	18.5%	6.8%	60.2%	33.8%	6.0%	72.3%	22.3%	5.4%

\* See Appendix E for specific calculations

\*\* For obligation ~~Table~~ indicates the breakdown between T.Q. and FY 1977 funding.  
IFICOOP and Coops will begin expending funds in FY 1977.

T.Q. and FY 1977 A.I.D. BUDGET  
(in US Dollars)

<u>ITEM</u>	<u>T.Q.</u>	<u>FY 1977</u>
1. 1 yr. External Tech.	48,370	-
2. Short term tech.	6,740	20,220
3. Project Director	-	-
4. Regional Coordinators	39,600	-
5. Coop. Specialists	46,080	-
6. Office Equipment		
a. Secretary	-	-
b. Clerks	-	-
7. Per Diem for IFICOOP	4,200	10,000
8. IFICOOP Staff Training and Orientation	7,500	3,000
9. Develop. Material for Project	6,000	-
10. Training Courses	28,360	98,780
11. In-Service Training	-	18,000
12. Regional Office Exp.	-	
13. Commodities	63,150	-
14. Vehicle Operation and Maintenance	-	-
	<u>250,000</u>	<u>150,000</u>

SUMMARY COST ESTIMATE AND FINANCIAL PLAN

(US\$)

	<u>AID</u>		<u>IFICOOP</u>		<u>Participating Cooperatives</u>		<u>Total</u>
	<u>FX</u>	<u>LC</u>	<u>FX</u>	<u>LC</u>	<u>FX</u>	<u>LC</u>	
Contract	109,030	260,040	-	147,600	-	-	516,670
Training	-	517,455	-	25,350	-	71,175	613,980
Commodities	50,400	12,750	-	10,000	-	-	73,150
Support Costs	-	-	-	109,800	-	-	109,800
Sub-totals	159,430	790,245	-	292,750	-	71,175	1,313,600*
** Inflation Factor	66,154		28,120		6,398		100,672
<b>TOTAL</b>	<b>\$1,015,829</b>		<b>\$320,870</b>		<b>77,573</b>		<b>1,414,272</b>

\* This total coincides with the Detailed Grant Budget total on page .

\*\* Inflation factor is based on US\$ figures and calculated for 1978 and 1979 at 8.5% per year.

basis. The approximately US\$25,000 to \$30,000 needed annually to finance these ongoing upgrading activities will be financed by payments from the cooperatives receiving assistance. In turn, these cooperatives will be reimbursed by the Cooperative Education and Technical Assistance Fund.

C. Socioeconomic Analysis

1. Agricultural Sector Profile

The agricultural sector in Chile can be divided into the following categories according to farm size:

a. Minifundista and Family Operated Small Farms. This group is often referred to as "traditional" small farmers to distinguish them from "reform" farmers receiving land through agrarian reform. The minifundista farmer has a land parcel below five BIH<sup>23</sup> often with marginal quality land and follows subsistence farming practices. The family operated small farmers are generally considered to be up to twenty BIH.

The number of rural parcels of less than five BIH is approximately 180,000; of these approximately 113,000 are less than one BIH.<sup>24</sup> The number of farm families is significantly smaller than the number of parcels since one farmer may own several; many parcels are rented; plots near cities may be little more than homesites; and some parcels are institutionally owned.

b. Reform Sector Farms. Land reform measures in Chile were initiated in November 1962. Since that time some 5,800 farms lying in the fertile Central Valley, totalling almost ten million physical hectares, have been expropriated.<sup>25</sup>

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The basic irrigated hectare (BIH) concept was created to facilitate the land reform in Chile. Essentially, it is a quantity of land which is equal in productive capacity to one hectare of irrigated land in the Maipo Valley near Santiago. A BIH in the best irrigated areas such as Aconcagua is less than a physical hectare; on the other hand, in arid regions where the land is well below the productive average of irrigated land, one BIH may be as much as ten physical hectares. This index was developed specifically for determining equitable divisions of the asentamientos (expropriated haciendas).

<sup>24</sup>Averaging less than one-third of a BIH.

<sup>25</sup>Univ. Católica de Chile, "Overview", pp. VI9-VI.13 (1976).

From 1970 to 1974, the land was collectively farmed as state-administered asentamientos. In the process of land redistribution, it is being determined that about 20 percent of the land had been illegally seized. This is being returned to the original owners. The remainder has been or will be divided into family plots (unidades agrícolas familiares) (UAF) using the basic irrigated hectares index.

Thus far, the families benefitting from the land reform process are farmers who prior to the land reform had been laborers on large haciendas. Each reform sector farmer is receiving title to approximately nine BIH, the range being 5 to 11. This amount of land is considered adequate to provide a self-sustaining farming enterprise. However, because most reform sectors farmers were laborers first on the haciendas and then on the asentamientos, they have little farm capital available, few assets to provide loan security and a low level of farm management skills.

Up to March 1976, 21,918 titles to UAFs were distributed. Since then the titling process has been accelerated and the program is projected for completion in 1977 with the total distribution of titles to approximately 50,000 farm families.

The figures below show income comparisons for the traditional farmers and the reform sector farmers. Estimated production costs were not disaggregated by production line. Farmers tend to underestimate costs in these situations which will result in an exaggerated net income. It must also be kept in mind that the survey was taken in the better farming areas in Chile; averages for the country as a whole would be significantly lower.

(In US\$ as of 15 May 1975 Exchange Rate)

	<u>Reform</u>	<u>Traditional</u>
Total Family Income	1,558	819
Total Net Farm Income	1,491	661
Per Capita Total Family Income	223	175
Per Capita Net Farm Income*	213	118
Per Hectare Income	161	167

\* Average family size in the reform sector is seven persons; in the traditional sector 5.6

Median net farm incomes for the reform sector are well below the mean, representing only 86 percent of the mean for all cases and 41 percent of the mean in O'Higgins Province. This shows that a few farmers with relatively high incomes exert a significant impact on the lower stratum of reform farmers.

In summary, the reform sector farmer, for the most part, is still an ex-farm laborer of low social and economic status who has suddenly gained access to land but who has (1) little farm managerial skills, and (2) minimal capital and assets with which to secure credit.

c. Medium-size (20 to 80 BIH) and Large (more than 80 BIH) Farms. These farms are mainly located in the prime agricultural areas of the central zone and in the south. They were originally acquired through traditional land grants, concessions or sales during the colonial period, as well as through purchases by more recent immigrants from Europe.

Many of the haciendas which were a part of this category were expropriated during the land reform programs, although some 5,000 haciendas were left in or have since been returned to the hands of the original owners. The 215 thousand BIH which have been returned represent 24 percent of the total land expropriated. The large/medium-size category of farms includes 43.6 percent of the total basic irrigated<sup>27</sup> hectares in Chile and 37.7 of the total hectarage available.

The medium and large farmers generally have easier access to credit, markets and technological improvements than the farming groups previously mentioned. They are also fairly well-off financially and have an educational level well above the national average. Therefore landholdings in Chile are roughly distributed as follows:

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ATAC/PROPLAN, "Preliminary Findings," Table B-1, p.12

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Universidad Católica de Chile, "Overview", Table 6.8, p. VI.24, (1976).

Minifundistas (0-5 BIH)	180,000
0-1 BIH	113,000
1-5 BIH	67,000
Land Reform Beneficiaries	49,000
Other Farms (5-80 BIH)	59,000

Although farming and related activities are the major sources of livelihood for most of Chile's rural population, fishing is also considered as an agricultural/rural sector economic activity. Due to the nature of fishing as an activity, with entry open to anyone, most fishing activities in Chile are small-scale operations. The artisan fishermen consist of (1) persons operating individually, or in a partnership, small fishing craft generally under 40 feet in length and (2) persons engaged in small-scale cultivation and harvesting of a variety of shellfish species or in the collection and drying of algae for commercial sale.

Although available statistics on the number of fishermen are not current or complete, it is estimated that approximately 10,000 individuals earn their living from fishing and shellfish cultivation. The average annual family income of this group ranges from roughly US\$400 to \$2,000; or, \$71 to \$357 on a per capita basis.

## 2. Target Population

The target population of this project are those agricultural and fishing cooperatives whose membership are primarily composed of traditional small farmers, reform sector farmers and artisan fishermen. More specifically, the target group cooperatives of this project consist of (1) Cooperativas Campesinas, (2) Multirrecoops (which are basically composed of agrarian reform cooperatives and sometimes campesino cooperatives), (3) Cooperativas Pesqueras and (4) Cooperativas Agropecuarias, defined as those which have been created by (i) a consolidation of various Cooperativas Campesinas or Cooperativas de Reforma Agraria, (ii) a consolidation of Cooperativas Campesinas or Cooperativas de Reforma Agraria and Cooperativas Agrícolas where the

former represent the greater majority of the membership or (iii) a change in legal status of a Multirrecoop where the membership composition remains basically the same.

The unavailability of current and accurate statistics concerning income levels of cooperative members in Chile, together with the serious inflation of the last three years, preclude the possibility of developing any current reasonable estimates on income levels of cooperative members as compared to nonmembers. However, on the basis of 1974 sample data available on family income of members of certain types of cooperatives,<sup>29</sup> the conclusion can be made that the income levels of traditional and reform farm families and fishing families who are members of cooperatives and those who are not members are usually similar and sometimes slightly higher for those who are members of cooperatives. The following figures<sup>30</sup> provide support for this conclusion:

	<u>Campesino Coops</u>	<u>Fishing Coops</u>
Annual Income from all sources (% of families):		
a) Under US\$400/family	50%	0%
b) US\$400-2000/family	49%	100%
c) Over US\$2000/family	<u>1%</u>	<u>0%</u>
Total	100%	100%
Annual Farm Income (% of families):		
a) Under US\$400/family	50%	0%
b) US\$400-2000/family	49%	100%
c) Over US\$200/family	<u>1%</u>	<u>0%</u>
Total	100%	100%

The decision to assist approximately 85 cooperatives in this project is based on the following data and information:

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28

See Appendices A, B, C and D for a tentative list of cooperatives from which 85 cooperatives could be selected for participation in this project.

29

A.I.D. Capital Assistance Paper: "Chile Agricultural Cooperative Development", December 1974, pp. 16-17.

30

ibid, pp. 16-17.

a. As stated on page 10 of this paper, no more than a total of approximately 200-500 agricultural based cooperatives with an economically viable base currently exist in Chile.

b. Under the US\$15 million A.I.D. Loan (065) project with IFICOOP for lending to qualified cooperatives, up to 150 cooperatives are or will be assisted. Since the majority of the cooperatives assisted by this grant will not include those cooperatives which are already or will be receiving credit and project-related technical assistance under the \$15 million A.I.D. Loan project, at least 100 cooperatives are possible candidates for the proposed upgrading project.

c. Of these remaining 100 agricultural-based cooperatives, approximately 85 will meet criteria of having low income farmers as the majority membership.

The breakdown of these 85 cooperatives and their number of members is as follows:

<u>Type of Cooperative</u>	<u>Number of Cooperatives</u>	<u>Approximate Total Number of Members</u>
<u>Campesino and Pesquera</u>	60	16,560
<u>Multirrecoop</u>	7	15,200
<u>Agropecuaria</u>	<u>18</u>	<u>15,582</u>
TOTAL	<u>85</u>	<u>47,342</u>

### 3. Benefit Incidence

As evidenced by the income figures provided earlier in this section, 99% of the approximately 16,560 members of the campesino and fishing cooperatives to be included in this project are located in the lower end of the family income or per capita income scale of Chile's rural population. Therefore, in the case of these 60 cooperatives, 99% of the project beneficiaries are clearly among the target population.

With regard to the multirrecoops, the approximately 15,200 members primarily consist of reform sector farmers and to a lesser degree traditional small farmers. Although the per capita income level of the reform sector farmer is, on the average, higher than the traditional small farmer, the meager level of farm capital and assets together with a lack of managerial knowledge place the greater majority of the reform sector farmers in the lower end of the socio-economic scale of the rural population. Thus, approximately 80-85% of the project beneficiaries associated with the 7 multirrecoops are clearly among the target population, while the remaining 15-20% are located at the upper end or slightly surpass the target population income scale. Finally, in the case of the 1,582 members of the 18 agropecuaria cooperatives to be included in this project, they are basically composed of the traditional small farmers and reform sector farmers mentioned above. The major difference is that the agropecuaria cooperative is usually larger in number of members as a result of the consolidation of various campesino and agrarian reform cooperatives. Therefore, it is estimated that 80 to 85% of the project beneficiaries associated with these 18 agropecuaria cooperatives also fall within the target population.

In making the final selection of the 85 cooperatives for this project, the following basic criteria will be utilized to assure that the benefits of this project accrue to the target population:

- a. The cooperative must have legal recognition (personería jurídica);
- b. The cooperative must have a potentially economically viable base;
- c. The cooperative must be a Cooperativa Campesina, Cooperativa Pesquera, Multirrecoop or a Cooperativa Agropecuaria.
- d. In order for a Cooperativa Agropecuaria to be included in this project, it must have been created in one of the following ways: (1) a consolidation of various Cooperativas Campesinas, Cooperativas de Reforma Agraria or Sociedades de Cooperación Agrícola, (2)

a consolidation of Cooperativas Campesinas, Cooperativas de Reforma Agraria or Sociedades de Cooperación Agrícola and Cooperativas Agrícolas where the former represent the greater majority of the membership or (3) a change in legal status of a Multi-recoop where the membership composition remains basically the same.

4. Impediments to Achievement of the Project Purpose

a. Attitude of the Target Cooperatives' Leaders and Members: Most of the cooperatives to be included in this project were created and operated on the basis of highly subsidized services provided by government institutions. Efficient management and self-sufficiency were never vigorously pursued as necessary elements for successful cooperative development. Furthermore, these subsidized services limited the support which second and third level cooperative service organizations could contribute towards the development of an independent rural cooperative movement. Thus, a great deal of time and effort will have to be expended over a substantial period in order to (1) get the cooperatives' leaders to recognize and respond to instruction and advice on the necessity of efficient management practices, effective communication with members, accounting records and auditing, savings, loan repayment, etc., etc. and (2) eventually get a significant number of the cooperatives' members to at least recognize, if not completely understand, the importance of the above necessities.

b. Lack of Consensus in the Cooperative Movement Concerning Rural Cooperative Model: Within the Chilean Cooperative movement there exist basically three different points of view concerning the most appropriate cooperative model that should be followed in developing the agricultural sector. One view is that the large, multi-service regional cooperative model in which all sizes of farmers would be members, has the greatest potential for long term economic development and self-sufficiency. A second view stresses the need for a number of different types and sizes of cooperatives according to farm sizes and associated income levels. The third view is that effective development of the traditional small farmers and reform sector farmers will only occur with strong local based cooperatives which can relate to and

work towards resolving the problems of their members. However, this view also agrees to the need for the locally based cooperatives to be integrated into the commercial and marketing activities of the larger regional based agro-industry type cooperatives.

Although the GOC planning offices have subscribed to the first point of view, in practice various government programs recognize that well-managed and economically viable cooperatives are the critical criteria for a successful rural cooperative movement. With regard to this project, the activities that will be implemented take into account both the need for the target population to be integrated into efficient regional based cooperatives in order to benefit from economies of scale and the importance of the target population being organized into local cooperatives which can respond to their needs in a relevant and efficient way.

#### 5. The Role of Women

The traditional customs of Chile do not provide strong incentives for women to work outside the home. According to the 1970 population census, women constituted only 3.3% of the agricultural labor force. However, there is little discrimination against women in cooperatives and the law specifically enables women to join and participate without their husband's consent.

Among the campesino, agrarian reform, and fishing cooperatives that were members of IFICOOP in 1975 there were 3,011 women members or an average of nearly 50 per cooperative. Among the 98 traditional cooperatives (milk, wine, etc.) belonging to IFICOOP in 1975 there were 5,145 women members. The total of 8,156 women members in the two categories of cooperatives constitutes about 10 percent of total membership. This is a greater proportion than women bear to the total of farm and fishery "employers" and "workers for own account" in the 1970 census.

In many rural campesino cooperative meetings, it is not unusual for 20 - 25 percent of participants to be women, who represent their families along with or in lieu of their husbands.

As of 1975 the member cooperatives of IFICOOP had a total of 1,346 women employees. There are a few women holding elective offices as members of Boards of Directors, and a greater number serve as members of boards of vigilance. There is a woman on the Vigilance Committee of IFICOOP. A number of women serve as attorneys to cooperatives and as accountants and book-keepers.

In principle, cooperatives will claim to provide equal pay for equal work. However, men and women rarely compete in Chile for the same jobs and the work generally performed by women is typically paid less. Women and men are treated equally with respect to social security.

Under this project, women should fully benefit as members of cooperatives on a non-discriminatory basis. Furthermore, it is believed that women with appropriate professional and technical training could successfully compete, with less difficulty than in private industry, for positions in cooperative management. IFICOOP supports qualified women in cooperatives on an equal basis with men. In the execution of the project IFICOOP is prepared to hire or contract trainers and to provide training assistance on a non-discriminatory basis.

IV. IMPLEMENTATION ARRANGEMENTS

A. IFICOOP's Organizational Structure and Project Management.

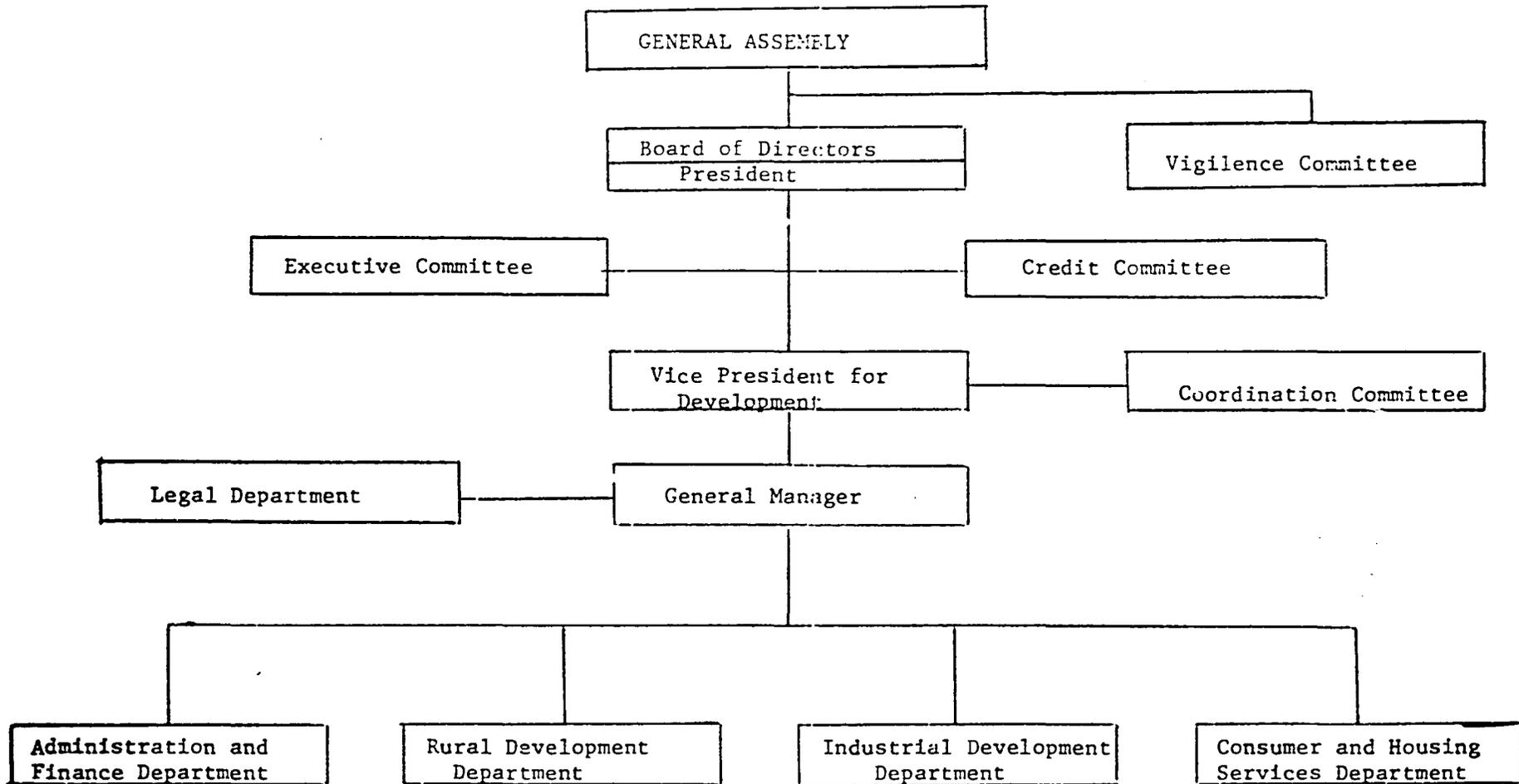
Diagrams on the current organization of IFICOOP and the Rural Development Department, under which this cooperative upgrading project will be managed, are provided on pages and

Presently, IFICOOP has one cooperative specialist, located in the Osorno office, who is working in cooperative upgrading activities. However, the following personnel will have to be hired in order to implement the activities contemplated under this project:

<u>Location of Assignment</u>	<u>Function</u>	<u>Number</u>	
1. Main Office: Santiago	Project Dir. (Chilean)	1	
	Tehcnical Advisor (US or TCN)	1	
	Secretary	1	
	Clerk	1	
	Sub-total	<u>1</u>	
		4	4
2. Northern Zone: La Ligua	Regional Coordinator	1	
	Coop Specialist	2	
	Secretary	1	
	Clerk	<u>1</u>	
	Sub-total	5	5
	3. Central Zone: Santiago	Regional Coordinator	1
Coop Specialist		2	
Secretary		1	
Clerk		<u>1</u>	
Sub-total		5	5
Talca		Regional Coordinator	1
	Coop Specialist	2	
	Secretary	1	
	Clerk	<u>1</u>	
	Sub-total	5	5

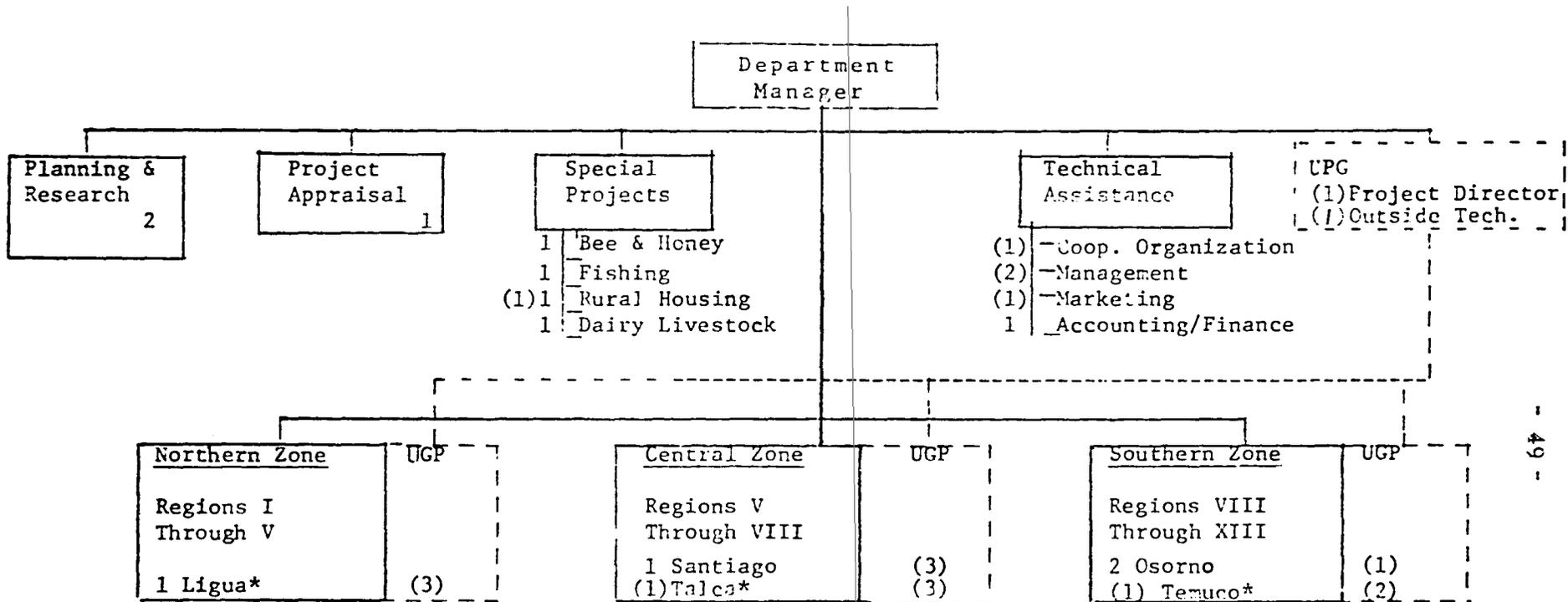
IFICOOP ORGANIZATIONAL STRUCTURE

(JUNE 1976)



ORGANIZATION OF IFICOOP RURAL DEVELOPMENT DEPARTMENT

Actual June 1976 - With Upgrading Project



The number of professional staff is indicated in each office; numbers in parenthesis represent (a) other staff positions not yet filled, and (b) staff that will be hired under the UGP.

\* Regional Offices will be opened in these towns by not later than February 1977 as part of IFICOOP's plans for expanded lending activities.

4. Southern Zone: Temuco	Regional Coordinator	1		
	Coop. Specialist	1		
	Secretary	1		
	Clerk	$\frac{1}{4}$		
	Sub-total	$\frac{4}{4}$	4	
	Osorno	Coop Specialist	$\frac{1}{1}$	$\frac{1}{24}$
		TOTAL		

With the exception of the one year technical advisor, all of the UGP personnel will be employed for the period of the project, i.e., 3 years. After the project period, IFICOOP will maintain four cooperative specialists on a permanent basis to continue providing upgrading assistance.

With regard to in-country travel requirements associated with the UGP, the following level of travel has been programmed in the project budget: <sup>31</sup>

1. Project Director: 80 days/year
2. Technical Advisor: 90 days for 1 year
3. Reg. Coordinators: 90 days/year/reg. coord.
4. Coop Specialists: 90 days/year/coop. specialist

In addition to the direct hire personnel, nine man-months of short-term (two to four weeks) outside technical assistance have been budgeted to assist in (a) the four to five month's of training/orientation for the upgrading project staff and (b) the three categories of training activities to be implemented during the three years of the project. Furthermore, the formal courses/seminars will be taught/directed by professional instructors contracted as part of the cost items budgeted for these courses/seminars.

In the process of expanding its lending activities, IFICOOP is opening regional/zonal offices in Ligua (northern zone), Talca (central zone) and Temuco (southern zone). IFICOOP plans to open the Talca and Temuco offices before the end of 1976.

<sup>31</sup>

See Appendix E for a detailed breakdown of the material and logistical support budgeted for this project.

Although Ligua is the most likely choice for an office in the northern zone, IFICOOP needs to obtain more complete information on the location of potential projects for lending activities in the northern zone before a final decision can be made on Ligua. Nevertheless, it is expected that an office will be opened in the northern zone by no later than February 1977.

B. Outside Technical Assistance

The outside technical assistance (U.S. or T.C.N.), in the form of a one year resident technician and nine months of short term consultants, will be implemented through contracts directly between IFICOOP and the contractors in accordance with A.I.D. contracting guidelines.

The resident technician will serve as an advisor to the project director to assist the UGP in the planning, programming and implementation of the proposed levels of training activities. Specifically, the resident technician will be assigned the following four areas of responsibilities/duties:

1. Assist the Rural Development Department and the upgrading project director in the design and implementation of the UGP staff training and orientation. Specific responsibilities and duties will include the preparation and organization of specific case materials and activities focusing on (a) the production and marketing problems confronting the traditional and reform sector farmers, (b) the benefits and limitations of addressing their problems through the various types of rural cooperatives in Chile, and (c) how the proposed training methodology of the upgrading project will address the administrative, overall management and organizational development problems confronting the target group cooperatives.

2. Develop an evaluation design and system that will provide the basis for collecting the necessary baseline data in order to (a) assist project management, and (b) assure that changes produced by the project can be later evaluated in terms of progress made towards reaching the expected end-of-project status.

3. Provide backstopping assistance to individual upgrading project staff members as they (a) organize the in-service training (internships), and (b) provide on-the-job training to the "trainee" participants at their cooperatives.

4. Coordinate with the upgrading project director in identifying and contracting short term U.S. or third country national technicians to provide technical assistance or training sessions as required by the project in areas such as financial management, agricultural marketing and processing, inventory control and management, farm supplies procurement, personnel management, etc.

C. Inter-Institutional Coordination

Although the upgrading project will have a direct hire core staff, project inputs in the form of technical personnel and materials will most likely be contracted from AUDICOOP, ICECOOP and the Confederation of Campesino Cooperatives. These contracted inputs may include training/orientation for IFICOOP staff, technical materials for the project and training courses for project beneficiaries.

In addition to the above inter-relationships in project implementation, overall coordination will be maintained with the following instructions which provide support to either individual farmer-members of rural cooperatives or to the rural cooperatives directly.

1. Agrarian Reform Institute for Research and Training, which provides farm management and accounting assistance to small farmer-members of agrarian cooperation societies (SOCAs) and agrarian reform cooperatives.

2. Institute for Agricultural Development (INDAP), which provides technical assistance and credit to the lower income small farmers, a number of whom are members of rural cooperatives.

3. Institute for Agrarian Promotion (INPROA), which provides specialized accounting and cooperative management assistance to Multirrecoops.

4. Chile State Bank (BECH), the principal state lending institution for the agricultural sector in terms of amount of financing of agricultural activities.

5. Banco O'Higgins, the well-established in export market with plans to open an agricultural credit section for lending to agricultural cooperatives for production activities.

6. Catholic University of Chile/Cooperative Center which performs research on Cooperatives' problems in Chile and produces materials that can be used for cooperative training activities.

D. Implementation Plan

The UGP will consist of two phases: (1) hiring and training/orientation of staff, and (2) implementation of upgrading activities.

The key indicators to be verified during the course of the project are as follows :<sup>32</sup>

1. Project Director on Board:

Target- October 1, 1976  
CPI - October 31, 1976

2. Resident Technical Advisor on Board:  
Regional Coordinators on Board:

Target - November 30, 1976  
CPI - November 30, 1976

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See Appendix G for CPI Network.

3. Cooperative Specialists on Board:  
  
Target - November 30, 1976  
CPI - December 31, 1976
  
4. Staff Training /Orientation Plan Completed and Approved:  
  
Initiate Staff Training /Orientation :  
  
Target - January 15, 1977  
CPI - February 1, 1977
  
5. End Staff Training /Orientation:  
  
Target - April 30, 1977  
CPI - May 31, 1977
  
6. First year Training Plan & Implementation Schedule Completed and Approved:  
  
Target - May 15, 1977  
CPI - June 15, 1977
  
7. Formal Courses /Seminars Initiated:  
  
Target - June 1, 1977  
CPI - July 1, 1977
  
8. Formal Review of Evaluation of First Year's Activities:  
  
Target - February 1, 1978  
CPI - March 1, 1978
  
9. Second Year Training Plan & Implementation Schedule Completed and Approved:  
  
Target - May 15, 1978  
CPI - June 15, 1978
  
10. Formal Courses /Seminars Initiated:  
  
Target - June 1, 1978  
CPI - July 1, 1978

11. Formal Review of Evaluation of  
Second Year's Activities:  
  
Target - February 1, 1979  
CPI - - March 1, 1979
12. Third Year Training Plan & Implementation  
Schedule Completed and Approved:  
  
Target - May 15, 1979  
CPI - June 15, 1979
13. Formal Courses/Seminars Initiated:  
  
Target - June 1, 1979  
CPI - July 1, 1979
14. Formal Review of Evaluation of Third  
Year's Activities:  
  
Target - February 1, 1980
15. Fourth Year Training Plan & Implementation  
Schedule Completed and Approved  
  
Target - May 15, 1980
16. Formal Review of Evaluation of Overall  
Upgrading Project:  
  
Target - March 1, 1981

E. A.I.D. Monitoring

Within USAID, the daily monitoring responsibilities will be assigned to Project Group I. The technical and administrative burden to USAID will be fairly heavy during the first six months after project authorization due to assistance that will be needed by IFICOOP in contracting project personnel and the procurement of vehicles and equipment.

F. Evaluation Plan

The following evaluation reviews will be performed in connection with this project:

1. January 1977: USAID and IFICOOP. Review of staff training/orientation plan to determine whether the plan is (a) sufficiently innovative and comprehensive in terms of effective coverage of the UGP purpose and methodology, and (b) logistically well-planned considering the time frame scheduled.

2. May 1977: USAID and IFICOOP. Review of the First Year Training Plan and Implementation Schedule with regard to (a) cooperatives selected meeting target group criteria, (b) written agreements signed between IFICOOP and all the participating cooperatives, (c) detailed schedule of planned training activities for the year, and (d) availability of contract personnel (Local and outside) and logistical support necessary for implementation.

3. February 1978: USAID, AID/W, IFICOOP and participating Cooperatives. Review of the training activities implemented during the previous year with regard to (a) effectiveness in reaching the trainees and improving their job performances, (b) number and types of trainees who participated in the UGP, (c) administrative and programming procedures utilized, and (d) degree of coordination that occurred between IFICOOP and AUDICOOP, ICECOOP, Confederation of Campesino Cooperatives, well-established cooperatives providing the in-service training and the participating cooperatives.

4. February 1979: USAID, AID/W, IFICOOP and Participating Cooperatives. Review of the training activities implemented during the previous year with regard to (a) effectiveness in reaching the trainees and improving their job performances, (b) number and types of trainees who participated in the UGP, (c) administrative and programming procedures utilized, and (d)

degré of coordination that occurred between IFICOOP and AUDICOOP, ICECOOP, Confederation of Campesino Cooperatives, well-established cooperatives providing the in-service training and the participating cooperatives.

5. February 1980: USAID, AID/W, IFICOOP and Participating Cooperatives. Review of the training activities implemented during the previous year with regard to (a) effectiveness in reaching the trainees and improving their job performances, (b) number and types of trainees who participated in the UGP, (c) administrative and programming procedures utilized, and (d) degree of coordination that occurred between IFICOOP and AUDICOOP, ICECOOP, Confederation of Campesino Cooperatives, well-established cooperatives providing the in-service training and the participating cooperatives.

6. March 1981: USAID, AID/W, IFICOOP and Participating Cooperatives. Overall review/evaluation of project according to end-of-project status indicators.

G. Conditions Precedent

1. Prior to the first disbursement or the issuance of any commitment documents under the grant, the grantee shall submit for A.I.D. approval a comprehensive scope of work and proposals for the one year resident advisor.

2. Prior to the first disbursement for any training activity (UGP staff or cooperative), the Chilean project director will be hired and on board.

3. Prior to the first disbursement for any training activity other than the UGP staff training/orientation. The grantee shall submit for A.I.D. approval (1) a comprehensive and detailed training plan and schedule for the first year's training activities and (2) a plan describing the sources of funds for IFICOOP's counterpart contribution for the first year of the project and

evidence in form and substance satisfactory to A.I.D. that such funds will be forthcoming.

4. Prior to any disbursement for the implementation of training activities in each year subsequent to the first year, the grantee shall submit for A.I.D. approval (1) a comprehensive and detailed training plan and schedule for that year's training activity and (2) a plan describing the sources of funds for IFICOOP's counterpart contribution for that year of the project and evidence in form and substance satisfactory to A.I.D. that such funds will be forthcoming.

APPENDIX A  
 FUNCTIONING CAMPESINO COOPERATIVES  
 AS OF MAY 1976<sup>1/</sup>

<u>Name and Province</u>	<u>No. of Members</u>
1. Aconcagua Valparaiso Ltda. Valparaiso.	2.900
2. Antuco Ltda. Bio-Bio	400
3. Araucana La. Ltda. Malleco.	291
4. El Tabo Bicomunal Cartagena Ltda. Santiago.	150
5. Cerro Grande Ltda. Coquimbo.	103
6. Caimanes Ltda. Coquimbo	105
7. Camino Troncal Ltda. Valparaiso.	109
8. Concumen Ltda. Santiago.	412
9. El Convento Ltda. Santiago.	90
10. Las Cabras Ltda. O'Higgins.	589
11. El Corazon Ltda. Curico.	249
12. Cureptana Ltda. Talca.	295
13. Cauquenes Ltda. Maule.	530
14. Cacique Picero Ltda. Nuble.	173
15. Canete Ltda. Arauco.	277
16. Colmenar Ltda. Bio-Bio.	62
17. Cachillalfe Ltda. Cautin.	156
18. Costa Sur Ltda. Osorno.	317
19. Curaco De Velez Ltda. Chiloe (Insular)	289
20. Chanco Ltda. Maule.	346

<sup>1/</sup> As determined from data available at the Confederation of Campesino Cooperatives. Since these data are only based on actual visits to coops. within the last year, there are other functioning campesino cooperatives (the number of which is uncertain) which are not included on this list.

## Appendix A

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21. Charrua Ltda. Concepcion.	476
22. Chol Chol Ltda. Cautin.	267
23. Chonchi Ltda. Chiloe.	185
24. Despertar de Curimon. Ltda. Aconcagua.	50
25. Del Valle de Putaendo Ltda. Aconcagua.	291
26. Domingo Mancilla Leyton Ltda. Curico.	110
27. Donguil Ltda. Cautin.	227
28. Estrella Ltda. Colchagua.	420
29. Fresis Ltda. Llanquihue.	188
30. Granizo Ltda. Valparaiso.	195
31. Hualane Ltda. Curico.	341
32. Hualqui Ltda. Concepcion.	158
33. Loncopangue Ltda. Bio-Bio.	200
34. Lolenco Ltda. Cautin.	339
35. Lanco Ltda. Valdivia.	453
36. Molina Ltda. Talca.	273
37. Mundo Nuevo Ltda. Concepcion.	145
38. Progreso Ltda. Santiago.	142
39. Pintue Ltda. Santiago.	41
40. Peumo Ltda. O'Higgins.	328
41. Pichidegua Ltda. O'Higgins.	850
42. Pehuenche Ltda. Talca.	155
43. Pequen Ltda. Talca.	236
44. Palisal Ltda. Bio-Bio.	337

## Appendix A

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45. Paillaco Ltda. Valdivia.	926
46. Quebrada de Alvarado Ltda. Valparaiso	230
47. Qullacahuin Ltda. Osorno.	426
48. Quellon Ltda. Chiloe.	216
49. Roto Chileno Ltda. Santiago.	176
50. Rapel Ltda. Santiago.	186
51. Regional San Enrique Ltda. Santiago.	60
52. Regional Mapuche Mariluan Ltda. Malleco.	27
53. Rio Blanco Ltda. Osorno.	202
54. Silos Ltda. Santiago.	32
55. San Vicente Ltda. O'Higgins.	684
56. Soldado Miguel Pardo Ltda. Curico.	157
57. San Dionisio Ltda. Linares.	107
58. Sol Ltda. Cautin.	292
59. San Juan de la Costa Ltda. Osorno.	266
60. Trueno Ltda. Talca.	219
61. Tome Ltda. Concepcion.	400
62. Tirua Ltda. Arauco.	83
63. Valle Lo Herrera Ltda. Santiago.	76
64. Vara Gruesa Ltda. Linares.	46
65. Victoria Ltda. Malleco.	83
66. Victor Schenke Ltda. Chiloe.	327
67. Alto Las Cruces Ltda. Talca.	24
68. Cerrillos Ltda. Aconcagua.	100
69. Camino Troncal Ltda. Valparaiso.	109

Appendix A

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70. C. Trinidad Ltda. Valparaiso.	142
71. Flor del Campo Ltda. Valparaiso.	283
72. Huanayes Ltda. Maule.	80
73. Pena Ltda. Valparaiso.	50
74. San Nicolas Ltda. Valparaiso.	<u>139</u>
Total Members	<u><u>20,398</u></u>

APPENDIX B  
 FUNCTIONING FISHING COOPERATIVES  
 AS OF MAY 1976

<u>Name</u>	<u>Province</u>	<u>No. of Members</u>
1. Pescadores Iquique	(Iquique)	100
2. Caleta Antofagasta	Antofagasta	85
3. Pescadores Caldera	Caldera	43
4. Puesto Huasco	Huasco	30
5. Alga Mar	Coquimbo	462
6. Huanaqueros	Coquimbo	68
7. Los Vilos	Coquimbo	45
8. Penuelas	Coquimbo	39
9. Proalmor	Coquimbo	35
10. Regional de Coquimbo	Coquimbo	56
11. Caleta Portales	Valparaiso	200
12. Quintay	Valparaiso	56
13. Horcones	Valparaiso	50
14. Hanga Roa	I. de Pascua	20
15. San Antonio	San Antonio	120
16. Cartagena	San Antonio	50
17. Algarrobo	Valparaiso	45
18. Mataquito	Curico	40
19. Pichilemu	Colchagua	105
20. Cerro Verde	Concepcion	38
21. Concepcion-Arauco	Concepcion	426
22. Coronel	Concepcion	130
23. Tome	Concepcion	250

## Appendix B

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24. Lebu	Arauco	130
25. Isla Sta. María	Arauco	160
26. Tubal	Arauco	110
27. Pto. Saavedra	Temuco	50
28. Mehuín	Valdivia	130
29. Valdivia	Valdivia	120
30. Pucatrihue	Osorno	48
31. Bahía Mansa	Osorno	30
32. Tenglo	Pto. Montt	70
33. Quemchi	Chiloe	46
34. Castro	Chiloe	50
35. Yaldad	Chiloe	80
36. Melinka	Chiloe	<u>104</u>
	<b>Total Members</b>	<u><u>3.621</u></u>

Source: Cooperative Department, Agricultural Planning Office (ODEPA),  
Ministry of Agriculture.

APPENDIX C

FUNCTIONING MULTIRRECOOPS

(Including those converting to Agropecuarias)

AS OF MAY 1976

<u>Multirrecoop</u>	<u>Province</u>	<u>No. of Indiv. Members</u>
1. Surco Nuevo	Aconcagua	7400
2. Altovalsol	Coquimbo	1120
3. Choapa	Coquimbo	1500
4. Despertar Campesino	Ovalle	1719
5. Alborear Campesino	Curico	1785
6. El Toqui	Colchagua	1000
7. Mapocho	Santiago	8500
8. Melipilla	Santiago	3500
9. Maule	Talca	4500
10. Rayen Mahuida	Temuco	1300

Source: Cooperative Department, Agricultural Planning Office (ODEPA),  
Ministry of Agriculture.

APPENDIX D

COOPERATIVAS AGROPECUARIAS ESTABLISHED AND IN  
THE PROCESS OF BEING ESTABLISHED  
AS OF MAY 1976

<u>Cooperativas Agropecuarias</u>	<u>No. of Indiv. Members</u>	<u>Region</u>	<u>Observations</u>
1. Arica	168	I	
2. Choapa	1.500	IV	Ex-Multirrecoop
3. Surco Nuevo	7.400	V	Ex-Multirrecoop
4. Valle La Ligua	4.700	V	
5. Lontue	1.360	VII	
6. Caupblican	528	VII	Ex-Campesina Coop.
7. Perquillauquen	1.300	VII	Ex-Campesina Coop.
8. Quilleco	595	VIII	Ex-Campesina Coop.
9. Santa Barbara	518	VIII	Ex-Campesina Coop.
10. Angol	500	IX	Ex-Campesina Coop.
11. Collipulli	350	IX	
12. Victoria	400	IX	
13. Traiguén	280	IX	
14. Rayén Mahuida	1.350	IX	Ex-Multirrecoop
15. Copalca	640	IX	
16. Fresia	54	X	Ex-Campesina Coop.
17. Los Muermos	626	X	Ex-Campesina Coop.
18. Puerto Varas	138	X	Ex-Campesina Coop.

Appendix D

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19. Reloncavi	70	X	
20. Chiloe	490	X	Ex-Campesina Coop.
21. Curaco de Velez	<u>400</u>	XI	Ex-Campesina Coop.
	23.367		

Source: Cooperative Department, Agricultural Planning Office (ODEPA),  
Ministry of Agriculture.

APPENDIX E

GRANT BUDGET EXPLANATIONS  
(in US dollars)

1. One year Outside Technician (married w/2 children)		
		\$
a. Salary		28,000
b. Housing Allowance		6,000
c. Education Allowance (1400/cx2)		2,800
d. Arrival and Departure Travel (4 x 1000 x 2)		8,000
e. Local Travel (4 trips x 150)		600
f. Per Diem - Local (90 days x \$33)		<u>2,970</u>
	Total	<u>48,370</u>
2. Short Term Outside Consultants		
a. 30 days x 125 - Salary		3,750
b. 30 days x 33 - Per Diem		990
c. two trips one mo. x 1000 - Travel		<u>2,000</u>
	Total Cost one manmo.	<u>6,740</u>
1st year four man months		26,960
2nd year three man months		20,220
3rd year two man months		<u>13,480</u>
	Total	<u>60,660</u>
3. Project Director (Chilean)		
		\$
a. Salary	750/mo.	
b. Social Benefits	<u>350/mo.</u>	
	1,050/mo. x 12 mos.	<u>12,600/yr.</u>
4. Regional Coordinators (4)		
a. Salary	550/mo.	
b. Social Benefits	<u>275/mo.</u>	
	825/mo. : \$9,900/yr. x 4	<u>39,600/yr.</u>

Appendix E

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5.	Cooperative Specialists (2/reg. office x 4 = 8)				\$
	a. Salary	320/mo.			
	b. Social Benefits	<u>160/mo.</u>			
		480/mo.; \$5,760/yr. x 8			46,080/yr.
6.	Office Employees				
	a. Secretaries (5)				
		\$			
	(1) salary	160			
	(2) social benefits	<u>80</u>			
		240/mo.; \$2,880/yr. x 5			14,400/yr.
	b. Clerks (5)				
		\$			
	(1) salary	100			
	(2) social benefits	<u>50</u>			
		150/mo.; \$1,800/yr. x 5			9,000/yr.
7.	Per Diem for IFICOOP Personnel				
					<u>Yearly</u>
		<u>Days</u>	<u>Rate</u>	<u>Total</u>	
	a. Project Director (1)	80	20	\$ 1,600	
	b. Regional Coordinators (4)	360	15	5,400	
	c. Cooperative Specialists (8)	720	10	<u>7,200</u>	
				14,200	
8.	IFICOOP Staff Training/Orientation				
	Seven weeks at 1500/wk for materials, lodging, meals, locale				10,500/yr.
9.	Development of Technical Materials for Project				
	a. Preparation of a master pamphlet on 30 distinct technical areas relevant to the project. 30 master pamphlets at \$200 each.				6,000/yr.

Appendix E

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10. Courses:

- a. Average course: 10 days at 7 hrs./day  
with 20 participants

<u>Cost Items</u>	<u>Contributor</u>			<u>TOTAL</u>
	<u>AID</u>	<u>IFICOOP</u>	<u>COOPS</u>	
1. Instructor - 50/day	500	-	-	500
2. Assistant Instructor - 35 day	350	-	-	350
3. Room & Board- Participants (\$10/day/participants)	2,000	-	-	2,000
4. Locale	-	200	-	200
5. Travel-Participants	-	-	100	100
6. Travel - Instructor & Assist.	50	-	-	50
7. Class supplies (5/participant)	100	-	-	100
8. Reproduction & purchase of technical materials for course	<u>250</u>	<u>-</u>	<u>-</u>	<u>250</u>
Average Cost/Course	3,250	200	100	3,550
Average Cost/Participant	163	10	5	178

- b. Annual Costs for Courses based on 10 day course/year.

	<u>1st Year</u>	<u>2nd Year</u>	<u>3rd Year</u>
# of Coops Participating	60	85	50
# of Participants/Cooperative*	13	13	13
Total Participants	780	1,105	650
Cost/Participants	<u>178</u>	<u>178</u>	<u>178</u>
<b>TOTAL COST</b>	<b>138,840</b>	<b>196,690</b>	<b>115,700</b>

\* The 13 participants/coop are broken down as follows:

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- 1 manager
- 1 accountant
- 1 cashier/secretary
- 2 members of the board of directors
- 2 members of the supervisory committee
- 2 members of the credit committee
- 2 members of the commercialization committee
- 2 members of the technical assistance committee
- 13 in Total

d. Coops will continue paying salaries of managers, accountants and cashiers/secretaries while participating in a course:

		<u>Avg. Salary</u>	<u>Additional Coops' Contrib.</u>
First Year	60 x 3 = 180	50	9,000
Second Year	85 x 3 = 255	50	12,750
Third Year	50 x 3 = 150	50	<u>7,500</u>
TOTAL			<u>29,250</u>

11. In-Service Training (10 days/participants \$15/day + 50 salary/participant.).

Year	1st Year	2nd Year	3rd Year
# of Coops Participating	40	85	70
# of Participants/Cooperative*	3	3	3
Total Participants	120	255	210
Cost/Participants	<u>200</u>	<u>200</u>	<u>200</u>
TOTAL Cost A. I. D.	18,000	38,250	31,500
Total Cost Coops	<u>6,000</u>	<u>12,750</u>	<u>10,500</u>

\* (for manager, accountant and cashier/secretary or other direct hire employee of the coop.)

12. Regional Offices' Expenses

- a. Rent: \$300/mo.; \$3,600/yr./office \$  
 4 x \$3,600 = \$14,400 x 50% for grant project 7,200/yr.
- b. Utilities: \$100/mo.; \$1,200 /yr. /office  
 4 x \$1,200 = \$4,800 x 50% for grant project 2,400/yr.  
9,600/yr.

13. Commodities

- a. Vehicle: 2 regional office x 4 = 8 50,400  
 1 for central office  
 9 x \$5,600=(purchased in the U.S.)

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b. Audio-visual Equipment:

		\$
2 slide projectors x 700 =	1,400	
8 overhead projectors x 700 =	5,600	
(purchased locally)		7,000

c. Office Equipment:

5 typewriters x \$625 =	3,125	
8 calculators x 200 =	<u>1,600</u>	
(purchased locally)	4,725	4,725

d. Other Misc. Training Supplies and Materials 1,025

e. Office Furnishings:

Desks, Bookcases, Reference Materials, etc.		
\$2,000/office x 5 = \$10,000		10,000

14. Vehicle Operation and Maintenance

.10/kilometer for operation and maintenance (excluding depreciation):		
2,500 km/mo.: 30,000 km/yr/vehicle		
30,000 kms x 9 vehicles x .10/km = \$27,000/yr.		27,000/yr.

APPENDIX F

COOPERATIVE EDUCATION AND TECHNICAL ASSISTANCE FUND

Created by Decree 621 of October 7, 1974 and operated according to an agreement signed by IFICOOP, CONFECOOP, and ICECOOP on June 10, 1975.

Revenues collected are distributed as follows:

1. Costs for Operation of Fund	2%	
2. CONFECOOP Designation	5%	
3. ICECOOP Designation	<u>5%</u>	
Subtotal of First Priority		12%
4. Producers' Coops	22%	
5. Consumers' Coops	22%	
6. User's Coops	22%	
7. Special Project Funds for Use by Any of Those Under #4,5, and 6	<u>22%</u>	
Subtotal of Second Priority		<u>88%</u>
TOTAL		<u>100%</u>



PPT FORM

Country: Chile	Project No:	Project Title: Rural Cooperative Upgrading	Date:	/ / Original / / Revision #	Apprvd:
-------------------	-------------	---	-------	--------------------------------	---------

CPI DESCRIPTION

- |   |  |
|---|--|
| <ol style="list-style-type: none"> <li>1. 10/31/76 Chilean Project Director on Board</li> <li>2. 11/30/76 Resident Technical Advisor on Board</li> <li>3. 11/30/76 Regional Coordinators on Board</li> <li>4. 12/31/76 Cooperative Specialists on Board</li> <li>5. 02/01/77 Staff Training/Orientation Plan Completed and Approved</li> <li>6. 02/01/77 Initiate Staff Training/Orientation</li> <li>7. 05/31/77 End Staff Training/Orientation</li> <li>8. 06/15/77 First Year Training Plan and Implementation Schedule Completed and Approved</li> <li>9. 07/01/77 Formal Courses/Seminars Initiated</li> <li>10. 03/01/78 Formal Review of Evaluation of First Year's Activities Completed</li> <li>11. 06/15/78 Second Year Training Plan and Implementation Schedule Completed and Approved</li> <li>12. 07/01/78 Formal Courses/Seminars Initiated</li> <li>13. 03/01/79 Formal Review of Evaluation of Second Year's Activities Completed</li> <li>14. 06/15/79 Third Year Training Plan and Implementation Schedule Completed and Approved</li> </ol> | <ol style="list-style-type: none"> <li>15. 07/01/79 Formal Courses/Seminars Initiated</li> </ol> |
|---|--|

APPENDIX G

**INSTITUTO DE FINANCIAMIENTO COOPERATIVO IFICOOP**

APPENDIX H

San Antonio 220 - 2º Piso - Teléfono 398253 - Casill.

Santiago - Chile

SANTIAGO, Agosto 23 de 1976.  
# 705.-

Señor  
JAMES ROUSCH,  
Director de A.I.D.,  
P R E S E N T E.  
-----

Estimado Sr. Rousch:

En relación con las conversaciones sostenidas recientemente, sobre el otorgamiento de una donación por parte de la Agencia para el Desarrollo Internacional (A.I.D.) a este Instituto de Financiamiento Cooperativo (IFICOOP), por la presente deseamos formalizar nuestra petición por una donación ascendente a US\$ 1.015.829.-

Dicha donación estaría destinada a financiar la ejecución de un programa de perfeccionamiento administrativo y técnico, con la participación de aproximadamente 85 cooperativas del Sector Rural, asociadas a este Instituto. Este Programa, al contribuir al mejoramiento de la gestión empresarial de las cooperativas, ayudará a lograr una explotación racional de sus recursos disponibles. El Programa tendría una duración de tres años, a contar del 1º de octubre de 1976.

El monto de los recursos solicitados, implica que IFICOOP aportaría una contribución adicional al Programa en oficinas y personal ascendente a US\$ 320.870.- y las cooperativas US\$ 77.573.- aproximadamente.

En el curso de las conversaciones sostenidas entre representantes de A.I.D., IFICOOP, y de las cooperativas, se practicaron visitas al terreno para comprobar la necesidad de un programa como el planteado anteriormente. Hemos entregado todos los antecedentes relacionados con dicho programa, que respaldan nuestra petición. Estamos a

**INSTITUTO DE FINANCIAMIENTO COOPERATIVO IFICOOP LIMITADA**

San Antonio 220 - 2º Piso - Teléfono 398253 - Casilla 1118

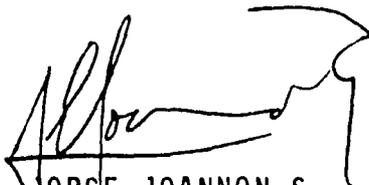
Santiago - Chile

# 705.-

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sus órdenes para proporcionarles cualquier otro antecedente adicional que sea necesario para cursar nuestra solicitud.

Sin otro particular, saluda muy atentamente a Ud.,



JORGE JOANNON S.  
Presidente



KURT ULLRICH B.  
Vicepresidente  
de Desarrollo

CBC/fab.

12686



Department of State

TELEGRAM

INCOMING AMEMBASSY SANTIAGO

R 170800Z JAN 76  
 FM SECSTATE WASHDC  
 TO AMEMBASSY SANTIAGO 2607  
 BT  
 UNCLAS STATE 012686

CN469

AIDAC

E.O. 11652: N/A

TAGS:

SUBJECT: DAEC REVIEW - FY 77 AGRICULTURAL SECTOR DEVELOPMENT PRP.

REFERENCE: STATE 078862.

1. SUBJECT PRP WAS REVIEWED BY THE DAEC ON 15 DECEMBER 1975 AND WAS APPROVED, SUBJECT TO THE OBSERVATIONS AND GUIDANCE FOR PP PREPARATION INDICATED BELOW. AS DETAILED IN PARA 7 BELOW, THE DAEC REQUESTED AN INTERIM REPORT ON THE RURAL COOPERATIVE UPGRADING COMPONENT, TO BE SUBMITTED TOGETHER WITH THE PP FOR THE ICIRA LOAN. FUNDING LEVEL FOR THE ENTIRE PROJECT FOR FY 77 IS 9 MILLION DOLLARS IN LOAN FUNDING AND 500,000 DOLLARS OF FIRST YEAR GRANT FINANCING. (THE OPTION OF EARLY START-UP OF THE GRANT FUNDING DISCUSSED WITH VAN DYKE WILL PROBABLY BE DROPPED.)

2. SECTOR APPROACH - ON THE BASIS OF THE AGRICULTURE SECTOR ASSESSMENT, THE MISSION SHOULD DEVELOP AN AGRICULTURE SECTOR STRATEGY WHICH PROVIDES THE DEFINITIVE BASIS FOR THIS PROJECT. AID'S INTEREST IN NUTRITION AS AN INTEGRAL PART OF THE AGRICULTURAL SECTOR IN CHILE SHOULD BE REFLECTED IN THIS STRATEGY AND, TO THE EXTENT POSSIBLE, SHOULD BE ADDRESSED IN THE PROJECT. THE INTENSIVE REVIEW SHOULD MAKE CLEAR HOW THE VARIOUS COMPONENTS OF THE PROJECT ARE INTERRELATED TO CARRY OUT THE MISSION'S SECTOR STRATEGY, AND SHOULD MAXIMIZE THE COMPLEMENTARITY OF THE BENEFITS OF THE VARIOUS COMPONENTS.

3. UNDER AND UNEMPLOYMENT - THE PP SHOULD DISCUSS THE NATURE AND LOCATION OF UNDER AND UNEMPLOYMENT IN CHILE AND DETAIL THE WAYS IN WHICH THIS PROJECT ADDRESSES THE CAUSES OF THIS PROBLEM. THE INTENSIVE REVIEW AND THE SECOND STAGE OF THE SECTOR ASSESSMENT SHOULD INCLUDE AN EXAMINATION OF THE CAUSES FOR HIGH LEVELS OF UNDEREMPLOYMENT IN CHILE AND THIS EXAMINATION SHOULD YIELD INFORMATION ON THE TYPES OF INDUSTRIES OR OTHER ACTIVITIES THAT COULD BE ESTABLISHED TO ADDRESS UNDEREMPLOYMENT.

Classification: UNCLAS

JAN 19 1976  
 AID 7  
 1482

AMB	DCM	POL	POL/H	LAB	USIS	TECON	AID	CONS	DAO	M/EGP	ACTION TAKEN
✓	1/2					✓					
ADMIN	PC	NASA	AGRIC	RSO	IAGS	B & F	GSO	PER	NCOIC	C&R	
DEA										CHRON	DATE INITIALS

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4. ENVIRONMENTAL IMPACT - THE PP SHOULD DIRECTLY ADDRESS THE ANTICIPATED ENVIRONMENTAL IMPACT OF THE VARIOUS PROJECT ACTIVITIES, AND SHOULD IDENTIFY WHERE THERE ARE EXPECTED TO BE ADVERSE IMPACTS AND INDICATE STEPS THAT WILL BE TAKEN TO MINIMIZE THEM.

5. RURAL JOB OPPORTUNITIES COMPONENT - (A) TARGET GROUP: THE PP SHOULD INCLUDE A DESCRIPTION OF THE TARGET GROUP FOR THIS COMPONENT, AND SHOULD DEMONSTRATE HOW PEOPLE IN THE TARGET GROUP ARE GOING TO BENEFIT FROM THE PROJECT AND HOW THE CHANCES THAT THEY WILL BENEFIT WILL BE MAXIMIZED. THE NATURE AND EXTENT OF THE EXPECTED BENEFITS TO THE TARGET GROUP FROM THIS ACTIVITY AND THE EXTENT TO WHICH OTHERS NOT IN THE TARGET GROUP ARE LIKELY TO BENEFIT FROM THE CREATION OF NEW RURAL ENTERPRISES SHOULD ALSO BE DESCRIBED. THIS ANALYSIS SHOULD INCLUDE AN EXAMINATION OF THE TYPES OF JOBS TO BE CREATED (SKILLED VS UNSKILLED) AND SHOULD NOT OVERLOOK THE EDUCATIONAL AND TRAINING REQUIREMENTS FOR ESTABLISHING RURAL ENTERPRISES AND THE IMPACT THESE REQUIREMENTS ARE LIKELY TO HAVE ON BENEFITS TO THE TARGET GROUP. THE PP SHOULD EXPLAIN IN MORE DETAIL THE DERIVATION OF THE NUMBER OF JOBS EXPECTED TO BE CREATED BY THE PROJECT, PARTICULARLY THROUGH BACKWARD LINKAGES. IN ADDITION, THE INTENSIVE REVIEW SHOULD EXAMINE THE PRESENT CHILEAN MARKET STRUCTURE (INCLUDING INTEREST RATES, EXCHANGE RATES, AND WAGE AND WELFARE LAWS) AND OTHER FACTORS AFFECTING THE LABOR-INTENSIVITY OF CHILEAN INDUSTRY TO DETERMINE IF THERE IS ANY BIAS FAVORING THE SUBSTITUTION OF CAPITAL FOR LABOR. IF SUCH A BIAS IS DISCOVERED, MEASURES WHICH ENCOURAGE GREATER LABOR-INTENSIVITY SHOULD BE INCORPORATED INTO THE PROJECT AS APPROPRIATE TO INSURE MAXIMUM IMPACT ON UNDER- AND UNEMPLOYMENT AMONG THE TARGET GROUP.

(B) CREDIT DEMAND: THE INTENSIVE REVIEW SHOULD ANALYZE THE EFFECTIVE DEMAND FOR CREDIT TO ESTABLISH THE KIND OF RURAL ENTERPRISES CONTEMPLATED BY THE PROJECT. PART OF THIS ANALYSIS SHOULD EXAMINE THE MACRO ECONOMIC STRUCTURE AND ANY CONSTRAINTS IT IMPOSES ON WHAT THE PROJECT IS INTENDED TO DO. BOTH INTERNAL AND EXTERNAL DEMAND FOR THE PRODUCTS THAT COULD BE PRODUCED BY THESE RURAL ENTERPRISES SHOULD BE EXAMINED, AS WELL AS QUESTIONS RELATED TO PRESENT AVAILABILITY OF CREDIT AND SAVINGS TO FINANCE ENTERPRISES OF THIS TYPE. THE RESULTS OF THIS ANALYSIS SHOULD BE INCLUDED IN THE PP TO SUPPORT THE NEED FOR THIS PROJECT COMPONENT AND THE PROPOSED AMOUNT.

(C) SUB-PROJECT SELECTION CRITERIA: THE ELIGIBILITY CRITERIA TO BE DEVELOPED DURING THE INTENSIVE REVIEW SHOULD INCLUDE SOME CONSIDERATION OF NUTRITIONAL IMPACT OF THE PROPOSED SUBPROJECTS, PARTICULARLY TO SCREEN OUT ENTERPRISES WHICH HAVE NEGATIVE NUTRITIONAL EFFECTS. THE INTENSIVE REVIEW SHOULD ALSO ESTABLISH A LIMIT ON THE SIZE OF SUBLOANS FINANCED THROUGH THE PROJECT IN ORDER TO MAXIMIZE EMPLOYMENT, DIVERSIFICATION, AND GEOGRAPHICAL DISPERSION, BUT IN A MANNER WHICH PRESERVES ENOUGH FLEXIBILITY TO PERMIT APPROVAL OF EXCEPTIONS IF DESIRABLE IN TERMS OF TARGET GROUP IMPACT. THE EXTENT TO WHICH THIS ELEMENT IS INTENDED TO HAVE ON EXPORT FOCUS SHOULD ALSO BE MADE CLEAR.

(D) TRAINING: THE MISSION SHOULD CONSIDER LOAN-FUNDING THE TRAINING ELEMENTS OF THIS COMPONENT. IN ADDITION, THE PP SHOULD DESCRIBE THE NATURE AND IMPORTANCE OF THE TRAINING TO BE PROVIDED AND SHOULD SHOW HOW THE TRAINING IS RELATED TO THE PURPOSES OF THE PROJECT.

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(E) THE PP SHOULD DISCUSS THE RELATIONSHIP OF THIS PROJECT COMPONENT TO BOTH LOAN 265 (IFICOOP) AND THE PROPOSED IBRD AGRO-INDUSTRY LOAN, WAYS IN WHICH THE TWO ACTIVITIES WILL

BE COORDINATED, AND THE EFFECT OF THE IBRD PROJECT ON EFFECTIVE DEMAND FOR AID FUNDS AND THE IMPLEMENTATION CAPABILITIES OF THE INSTITUTIONAL MECHANISMS THAT MIGHT BE USED FOR BOTH LOANS.

6. INTERMEDIATE TECHNOLOGY INNOVATION COMPONENT - (A) DESIGN: THE PP SHOULD DESCRIBE CONCRETELY THE ACTIVITIES THAT WILL BE CONDUCTED UNDER THIS COMPONENT OF THE PROJECT (INCLUDING MANY EXAMPLES OF TECHNOLOGIES CONTEMPLATED), HOW THEY WILL BE APPRAISED, AND HOW SUCCESSFUL APPROACHES WILL BE DUPLICATED ELSEWHERE. GIVEN THE EXPERIMENTAL NATURE OF THIS COMPONENT, ITS SIZE SHOULD BE EXAMINED IN TERMS OF WHAT IS REQUIRED FOR IT TO BE A USEFUL EXPERIMENT AND TO ASSURE CHILEAN INVOLVEMENT IN THE MANAGEMENT OF THIS APPROACH. THE PP SHOULD DESCRIBE THE WAY THE PROJECT WILL MAXIMIZE THE POSSIBILITY THAT PARTICULAR TECHNOLOGIES SUCCESSFULLY INTRODUCED IN PILOT AREAS WILL HAVE A BROADER APPLICATION IN CHILE AND WILL BE REPLICATED ELSEWHERE. THIS SHOULD INCLUDE THE IDENTIFICATION OF POSSIBLE WAYS OF INSTITUTIONALIZING SUCCESSFUL APPROACHES FOLLOWING COMPLETION OF AID FUNDING.

(B) TARGET GROUP: THE PP SHOULD DESCRIBE IN MORE DETAIL THE TARGET GROUP FOR THIS COMPONENT, THE TYPE AND EXTENT OF BENEFITS THEY ARE LIKELY TO RECEIVE, AND THE MANNER IN WHICH PILOT SITES WILL BE SELECTED AND THE PROJECTS THEMSELVES DESIGNED TO MAXIMIZE THE IMPACT ON THE POORER FARM FAMILIES IN CHILE.

(C) INSTITUTIONAL CAPABILITIES AND COORDINATION: THE PP SHOULD INCLUDE AN EXAMINATION OF THE CAPACITY OF THE IMPLEMENTING INSTITUTIONS CHOSEN TO MANAGE THIS PROJECT, ANY INSTITUTIONAL COORDINATION PROBLEMS THAT MIGHT ARISE DURING PROJECT IMPLEMENTATION, AND THE INCENTIVES THAT WILL BE INCORPORATED INTO THE PROJECT TO ENCOURAGE PARTICIPATION OF A WIDE RANGE OF CHILEAN INSTITUTIONS. INTENSIVE REVIEW SHOULD ALSO ASSESS ALTERNATIVE MEANS OF ENCOURAGING TECHNOLOGICAL INNOVATIONS FOR SMALL FARMERS.

(D) USAID MONITORING: DURING INTENSIVE REVIEW THE MISSION SHOULD DEVELOP AN APPROPRIATE METHOD TO MONITOR THE IMPLEMENTATION OF THE VARIOUS PILOT PROJECTS, WHICH SHOULD BE DESCRIBED IN THE PP.

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7. RURAL COOPERATIVE UPGRADING COMPONENT - THE DAEC REQUESTED THAT THE MISSION PREPARE AN INTERIM REPORT ON THIS COMPONENT TO BE SUBMITTED BY THE END OF FY 76 TOGETHER WITH THE ICIRA LOAN PP. THE INTERIM REPORT SHOULD CLEARLY DESCRIBE THIS COMPONENT'S RELATION TO THE FY 75 IFICOOP LOAN (513-L-065) AND THE PROPOSED ICIRA LOAN, AND SHOULD EXPLAIN WHY IT IS APPROPRIATE TO INCLUDE THIS COMPONENT IN THIS SECTION OF PROJECT RATHER THAN SEPARATELY OR AS PART OF THE ICIRA LOAN. IN ADDITION, THE INTERIM REPORT SHOULD ADDRESS THE FOLLOWING POINTS: (A) THE CURRENT SITUATION WITH RESPECT TO COOPERATIVE ORGANIZATION AND MANAGEMENT IN THE TARGET COOPS, AND THE INCREMENTAL BENEFITS TO SMALL FARMERS WHO ARE COOPERATIVE MEMBERS THAT WILL RESULT FROM THIS ACTIVITY; (B) THE RATIONALE FOR FINANCING THE ESTABLISHMENT OF FOUR ADDITIONAL IFICOOP REGIONAL OFFICES AND THE AVAILABILITY OF QUALIFIED TRAINING PERSONNEL TO STAFF THESE OFFICES; (C) THE IMPACT OF CURRENT GOC POLICY, WHICH ENCOURAGES SMALLER COOPERATIVES WITH INADEQUATE MANAGEMENT TALENT TO CONSOLIDATE OR MERGE WITH LARGER COOPS, ON THE COOPS TO BE INVOLVED IN THIS ACTIVITY; AND (D) THE ABILITY OF IFICOOP TO CONTINUE THIS ACTIVITY FOLLOWING COMPLETION OF AID FUNDING. FINAL GUIDANCE FOR PP PREPARATION WILL BE GIVEN FOLLOWING REVIEW OF THE INTERIM REPORT.

8. RURAL DEVELOPMENT - COQUIMBO COMPONENT - THE GUIDANCE ON THIS COMPONENT CONTAINED IN REFTEL REMAINS IN EFFECT. WITH RESPECT TO THE IMPLEMENTING MECHANISM FOR THIS ACTIVITY, THE MISSION SHOULD BASE ITS CHOICE OF THE PARTICULAR MANAGEMENT UNIT TO BE UTILIZED SOLELY ON AN ANALYSIS OF WHAT IS APPROPRIATE FOR THIS ACTIVITY, RATHER THAN TRY TO UTILIZE A MECHANISM PROPOSED FOR ANOTHER PROJECT COMPONENT THAT DOES NOT MEET THE IMPLEMENTATION NEEDS OF THE COQUIMBO ACTIVITY.

9. LOGICAL FRAMEWORK - LOGFRAME NARRATIVE AND MATRICES TO BE REVISED AS PER CONVERSATION BETWEEN CAM WICKHAM OF LA/UP/ES AND PAUL FRITZ. KISSINGER

## APPENDIX J

### Rural Cooperative Upgrading - 296

#### Draft of the Project Description Proposed for Project Agreement.

#### PROJECT DESCRIPTION

##### A. Background

In designing this project the Governments of the United States and the Republic of Chile have recognized the following:

1. The Chilean Government has decided to rely on the rural cooperatives movement as the principal institutional framework for overcoming the present constraints to increasing production, developing domestic and export markets in order to eliminate Chile's net food deficit and strengthen the balance of payment situation, and improving the socio-economic position of the low-income rural population;

2. The current Chilean Government policy is to eliminate state subsidies and reduce state involvement in production activities wherever private sector participation can and will be forthcoming;

3. As a result of the Chilean Government's policy of consolidation of existing rural-based institutions, second and third level cooperative organizations are being encouraged to expand their activities and primary level cooperatives that have an uneconomically small production base are expected to consolidate into Cooperativas Agropecuarias or merge with larger Cooperativas Agrícolas in order to achieve economies of scale and attract capable management talent; and

4. Agriculture cooperative promotion and organization needs greatly exceed the capacity of the cooperative movement to provide adequate training, technical assistance and financial support to the large number of newly organized agricultural cooperatives.

Therefore, both governments have agreed to cooperate in a program which will contribute to improve the efficiency and adequacy of rural cooperatives in the areas of: (1) cooperative

administration, overall management and development; (2) technical assistance at both the farmer-member and cooperative levels for purposes of developing and implementing improved production and marketing programs; and (3) availability of credit to finance production and marketing activities.

This program will complement the A.I.D. Agricultural Cooperative Development Loan (065).

#### B. Objectives

The purpose of this project is to improve the efficiency and adequacy of the managerial capacity and service capability of rural cooperatives which are primarily composed of low-income traditional farmers or artisan fishermen.

A related sub-purpose is to broaden and strengthen the capacity of the Cooperative Finance Institute (IFICOOP) to provide relevant and efficient services to rural cooperatives which are: (a) primarily composed of rural poor members and (b) action oriented in assuring that the benefits offered by the cooperatives reach the low-income members.

To achieve the above purposes USAID will provide during a three year period, subject to the availability of funds, technical and material assistance which will enable IFICOOP to carry out training activities which will contribute to upgrading the staffs of 85 cooperatives which will participate in the project.

The upgrading methodologies will consist of the following three types of complementary training activities:

1. Formal courses/seminars for cooperatives staffs and board of directors members held at centrally located training facilities.
2. In-service training (internships) for cooperative managers, accountants and cashier/secretaries at well established cooperatives.
3. On-the-job training at the participating cooperatives.

(Note: Specific details on contents and timing of courses; number of participants and method of selection; and number and qualifications of training staff will be included in the implementation section of this and subsequent agreements.)

C. End of Project Status

At the end of this project, planned for 30 September, 1979, the conditions that are expected to exist are:

1. At least 85% of the 85 cooperatives assisted by this project will be capable of providing their members with the services for which the cooperatives were organized.
2. At least 85% of the total cooperative members (managers, accountants and cashier/secretaries) assisted will be able to execute their job functions effectively and efficiently.
3. At least 85% of the total members of the boards of directors and various committees assisted will be able to perform effectively the functions of their respective roles in the cooperatives.
4. At least 85% of the cooperatives assisted by this project will be able to qualify for credit and project related technical assistance from IFICOOP and other lending institutions.