

NONCAPITAL PROJECT PAPER (PROP) PD-AAB-287-A1

I. PROJECT IDENTIFICATION

PROJECT TITLE: **CREDIT UNION DEVELOPMENT**

APPENDIX ATTACHED:  YES  NO

PROJECT NO. (M.O. 1001.3): **98-15-110-090.2**

RECIPIENT (specify): **PARAGUAY**

COUNTRY:  REGIONAL:  INTERREGIONAL:

LIFE OF PROJECT: BEGIN FY **79** ENDS FY **78**

SUBMISSION DATE: **5/27/73**

CONTRACT NO.: **AD/287-54**

II. FUNDING (\$000) AND MAN MONTHS (MM) REQUIREMENTS

A. FUNDING BY FISCAL YEAR	B. TOTAL \$	C. PERSONNEL		D. PARTICIPANTS		E. COMMODITIES \$	F. OTHER COSTS \$	G. CONTR.		H. LOCAL EXCHANGE CURRENCY RATE: \$ US (U.S. OWNED)		
		(1) \$	(2) MM	(1) \$	(2) MM			(1) \$	(2) MM	(1) U.S. GRANT LOAN	(2) COOP COUNTRY	
										(A) JOINT	(B) BUDGET	
1. PRIOR THRU ACTUAL FY	109	72	36	10		36	72	72	36			19.5
2. OPN FY73	92	25	12	6		7	25	25	12			9.1
3. BUDGET FY73	143	75	24	12		15	61	75	24			12.0
4. BUDGET FY75	138	60	24	12		15	51	60	24			12.0
5. BUDGET FY76	91	25	12	12		12	42	25	12			12.0
6. BUDGET FY77	70	30	12	12		12	26	30	12			12.0
7. ALL SUBQ. FY78	33	25	12	-		8	-	25	12			-
8. GRAND TOTAL	756	292	132	64		105	295	292	132			76.6

9. OTHER MAJOR CONTRIBUTIONS

(A) NAME OF DONOR: <b>Peace Corps</b>	(B) KIND OF GOODS/SERVICES: <b>Peace Corps Volunteers</b>	(C) AMOUNT: <b>\$150,000</b>
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III. ORIGINATING OFFICE CLEARANCE

1. DRAFTER: <b>WFSchou/JOLson</b>	TITLE: <b>AIS/ASIA Fusion</b>	DATE: <b>5/27/73</b>
2. CLEARANCE OFFICER: <b>WFSchou/JOLson</b>	TITLE: <b>WFS/ASIA</b>	DATE: <b>5/27/73</b>

IV. PROJECT AUTHORIZATION

1. CONDITIONS OF APPROVAL

This PROP is approved, with the inclusion of the additional information supplied by telegram Asuncion 2231, for FY '73 and FY '74 and it being further understood that more substantive projections on farmer income will be submitted during FY '74.

3. CLEARANCES

SUR/OFF.	SIGNATURE	DATE	SUR/OFF.	SIGNATURE	DATE
IA/DR	M. Brown	6/19/73			
IA/DP	J. O'Donnell	6/19/73			
IA/OPNS	C. Ueyhara	6/19/73			
IA/MRSD	R. Greene	6/19/73			
IA/APU	H. Jacobsen	6/19/73			
IA/GC	I. Levy	6/20/73			

3. APPROVAL AAS OR OFFICE DIRECTOR: <b>Norman Kleins</b>	DATE: <b>6/20/73</b>	4. APPROVAL A/AID (Sec 1005.1 VI C): <b>Norman Kleins</b>	DATE: <b>6/20/73</b>
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ADMINISTRATOR, AGENCY FOR INTERNATIONAL DEVELOPMENT

PROJECT NO. <b>25-15-122-072.2</b>	SUBMISSION <input checked="" type="checkbox"/> ORIGINAL <input type="checkbox"/> REVISION _____	(Number) DATE <b>4/27/78</b>	PAGE <b>2</b> of <b>12</b> PAGES
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### A. STATEMENT OF THE GOAL

The goal of this project is to increase the net income of the small scale farmer. The need and justification for a project to assist the small farmer in Paraguay is adequately identified in the agricultural sector analysis included in the FY 1970 Program Memorandum, Appendix B, the FY 1971 CFS Annex B and the FY 1972 CFS. The project conforms to recent OASD submissions.

This project is an integral part of the Mission's strategy to provide assistance in the agriculture area of concentration and specifically addresses an established priority development problem--Improved Welfare of Small Farmers (see FY 1974 FES and MAP). This priority development problem is defined as the need to increase the cash income and employment opportunities of small to medium scale farmers through improved production and marketing. The project also has important Title IX implications due to the necessary participation of a significant number of people and the development of grass-roots democratic institutions.

Progress toward the achievement of the goal will be measured by the income increases realized by credit union members who have received production credit loans, both agricultural and commercial. Measurement will be accomplished through the means of sample surveys, to be conducted with assistance from OCEAC (see Annex 1).

The basic goal assumption is that natural disasters or severe political changes which could adversely affect the target groups will not occur.

### B. STATEMENT OF THE PURPOSE

The purpose of this project is to organize independent, self-sufficient and broadly based credit unions, primarily in the rural areas, which are integrated in an independent, self-sufficient Federation or central <sup>1/</sup> which will provide these credit unions with effective technical and financial services. Progress toward the achievement of the purpose will be measured by the indicators shown in pages 4 and 5. The conditions expected at the end of the project in CY 1978 are:

1/ The Paraguayan Cooperative Law provides that cooperatives can integrate within two different types of organizations: federations or centrals.

Federations can be formed by only one type of cooperative and there cannot be more than one Federation in the country for each type of cooperative. The law does not clearly establish the scope of activities of federations. Centrals can be formed by differing types of cooperatives (i.e. credit unions, consumer cooperatives, etc.). In accordance with the law, centrals may be organized to provide, among others, financial services to the member cooperatives.

The USAID is not yet certain whether incorporation as a federation or a central would be more advantageous under the present cooperative law. We are awaiting a ruling from the GOP's cooperative supervisory agency (the Dirección General de Cooperativismo) whether a federation will be allowed to offer financial services. If this decision is favorable, chartering as a federation will be sought because the Cooperative Law is not specific in its definition of a federation's scope of activities, thereby allowing a broader range of activities. If not, a central structure will be adopted as the law specifically allows a central to engage in financial services, although the definition of other permissible activities is more restrictive. For the purposes of this PROF, we are using the term federation even though it is possible that the organization may turn out to be a central.

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1. 40 rural and 24 urban credit unions will be chartered and operating with approximately 20,000 and 14,600 members respectively.
2. A financially self-sufficient 1/ federation of 36 2/ credit unions will exist.
3. A trained corps of competent administrators and managers in the national federation (with a staff of 14 trained professional personnel) and in the member credit unions (155 managers and administrative personnel trained).

Related to the accomplishment of the project purpose, it is assumed:

1. That the national government will maintain a positive, or at least neutral position with regard to the credit union movement;
2. that sufficient concessional financing is made available (see inputs below);
3. that the experience with the existing credit unions is valid and that the larger target group can be motivated to obtain and utilize credit from other than the traditional sources (land owners and wholesalers) if the credit is available at a lower rate of interest.

**C. STATEMENT OF PROJECT OUTPUTS**

The specific project outputs, along with the respective indicators and time phased targets are shown on the following chart:

1/ Financially self-sufficient as used in this paper means that the organization's financial projections are such that it should be viable without grants to cover operational expenses.

2/ Since affiliation to the federation will be voluntary it is assumed that up to 8 urban credit unions will decide not to join.

**D. INPUTS****1. A.I.D. Grant Assistance**

a. The project will continue to fund a CMA contract, providing for one full-time credit union adviser, for the life of the project, one finance specialist for two years and limited short-term assistance as needed.

b. Participant funds will train 48 Federation and credit union personnel primarily in third countries in such subjects as finance and agriculture credit administration.

c. Commodity funds will be utilized to provide vehicles for the Federation and office equipment for new rural credit unions as they are established.

d. Other cost funding will cover local training courses, local and invitational travel, and miscellaneous expenses. Operating losses of the Federation will be covered until self-sufficiency is obtained in CY 1978. (To the extent available, PL 480 Title I Sales Proceeds may be utilized for local costs).

**2. A.I.D. Loan Assistance**

External capital assistance in the amount of \$2.0 million will be needed in late FY 1974 in order to enable the Federation to achieve financial self-sufficiency by CY 1978.

Such assistance will have to be available at between 2 and 3 percent interest per year. If an international financial agency does not provide this assistance, an A.I.D. development loan will be requested by the Mission. The loan should allow a sufficient spread between the interest rate of the loan and the Federation's sub-loans to the credit unions to allow the Federation to reach its break even point during CY 1978. We estimate that approximately one year of experience from the inception of the Federation will be sufficient for it to gain the necessary institutional capability to begin to administer the loan with technical assistance. Formation of the Federation is now expected by October 1973.

**3. Peace Corps**

The Peace Corps has agreed to provide four volunteers, starting in July, 1973. These volunteers will be assigned to the Federation as assistants to the promotion specialists or the auditors. While this Peace Corps assistance will help the project achieve its qualitative targets, it is desirable but not critical to project success.

**E. RATIONALE****1. Background - The Problem**

Official estimates are that as a group small farmers (i.e. those working less than 10 hectares) produce 60% of the total annual value of Paraguayan agricultural production and 30-50% of the total export value of the agricultural sector. Thus a program which could help them would have considerable impact on the national economy.

When the project was originally designed, in 1968, the vast majority of the small farmers in Paraguay were poor as they still are today. Because of the lack of







credit/for obtaining credit, and at the same time affiliate to an Agricultural Marketing Cooperative to purchase agricultural supplies and market their products. In this way, the credit union, working together with several other local institutions, such as UNIFACOD, established for providing more economic and efficient marketing facilities to the small farmers, is offering the Paraguayan campesino what is probably the first completely integrated self-help development program in the country. It assists him to:

- select the crop which is most likely to maximize his investment.
- analyze his soil and choose the proper fertilizers, pesticides, herbicides, etc.
- draw up a detailed investment plan.
- obtain the necessary credits.
- purchase the recommended agricultural supplies.
- market the produce after the crop has been harvested.

A Directed Agricultural Production Credit (DAPC) program has been designed which provides for special credit policies for use in all rural credit unions. These policies include (1) a lump sum repayment (when crops are sold) feature that is better attuned to the realities of rural agricultural economics, (2) a prerequisite that each borrower attend a certain number of class hours given by the credit union or an extension agent, (3) the availability of short-term (less than one year) production credit loans, and (4) special consideration as concerns loan guarantees. In addition, post-harvest loans are also available to see the farmers through until their crops have been sold and repayment received.

3. The CUMA Program Action Plan

a. Rural Credit Unions

Phase I

The first step in CUMA's plan to improve the net income of the small-scale farmer in Paraguay was to form a nucleus of rural credit unions around which the program could be built. A pilot project was established in the town of Caragunatay. Although a disproportionate amount of resources had to be employed in this credit union, this was to be expected as it was the first experience in this type of endeavor for each of the coordinating agencies involved. Each of the eight subsequent rural credit unions that have been formed have required less technical resources as local expertise has been built up. The experience gained in these nine credit unions has served as the basis for the self-sufficiency projections for rural credit unions found in Annexes 2 and 6.

The strategy of this program is to do the earliest promotion for the credit union not among the farmers who would eventually be the primary beneficiaries, but among the residents of small towns located in agricultural areas. The idea behind this strategy is that since the people who live in the towns are better educated and are not quite so traditional, they are more likely to: (1) see the value of a credit union, (2) have the capacity to provide initial capital, (3) have available capable leaders, (4) agree to do what is necessary to get a credit union started and (5) have the ability to guide it through the legalization process. Once the credit union is functioning the promotional efforts shift to attracting small-scale farmers and to capitalizing the credit union in order to initiate production credit services. To date the results of this new approach have been so encouraging that CUMA plans to adopt them in its other Latin American DAPC programs.

After obtaining farmers to the credit union and obtaining the initial capital, the second step in the first phase of CUSA's program was (and continues to be) to initiate loan services. At this point in the program's development, the project arranges for financial assistance from the National Development Bank (NDB) to complement the funds available from CUSA. NDB funds are provided at 7.7% interest plus a commission of 1%. These funds are only available to participating credit unions for agricultural loans. Cumulative financing of \$14,000,000 (\$3,900,000) has been committed through 1973 by the NDB through Project Agreements. A small portion of these funds have come from an NDB loan of 19.7 million provided to the NDB, \$5 million was earmarked for sub-loans to small and medium sized farmers and ranchers. Some funds are specifically provided to be used for capital improvements (land, agricultural inputs, equipment, etc.). However, the smaller farmers have not been able to utilize these funds to any great degree due to their lack of sufficient collateral as required by the NDB. Thus the NDB funds do not duplicate nor compete with the funds from other sources being utilized by the credit unions. This has helped to make the transition to an agricultural production oriented credit program easier. Today all nine rural credit unions in Paraguay have their credit programs oriented to financing agricultural production and a NDB financial specialist is working full time with the program, training credit union managers to do better and more detailed credit analysis and investment plans.

Once the farmer has a source of reasonably priced credit, the third step is to assure that the credit is given the best possible use. For this reason project agreements were entered into with the Ministry of Agriculture (MAG) to secure the extension services of the MAG. Field visits were arranged and extension agents found themselves dealing, often for the first time, with relatively large groups instead of with individual farmers. Since those first visits the agricultural agents have continued to provide expert and timely assistance, and the Ministry of Agriculture has indicated that it intends to continue to provide extension agents to the credit unions and the URAID will continue to include MAG provided extension assistance in the annual project agreements.

The fourth step in this first phase of the program is to arrange for marketing assistance. In the early years of the program virtually all marketing assistance was given by the CUSA technicians. Through the efforts of the project some impressive price increases were obtained for the credit union members. These increases were achieved through better production practices, improved procedures for classification of qualities and through direct marketing, thus bypassing the middlemen. Although this was not the institutionalized solution that the program needed, it was all that was available at that time. At the present time a rejuvenated agricultural marketing central (UNIPACO) and its A.I.D. contract advisor are working in close coordination with the credit union program and before the end of FY 1973 the first marketing of credit union-produced cotton through UNIPACO will have been accomplished. Although UNIPACO will not be able to fill all the marketing needs of rural credit union members for several years, CUSA program personnel see it as the best possibility for institutionalizing the marketing function for credit unions participating in DAPC programs and are completely committed to maintaining a close coordination with this organization. At the present time, coordination between UNIPACO and the credit union project is effected by the URAID contract advisors to the two projects. After the formation of the credit union federation, we will seek to have written agreements signed between the two organizations which would specify the types and means of coordination necessary.

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The fifth and final step of phase I is for CUNA to train a group of assistants who in the short run help carry out practical and training courses in the rural area and who in the long run would serve as the technical base for the planned Federation. At the present time the project has recruited the services of the following local technical personnel, who will be transferred to the Federation as soon as it is established:

- 3 credit union promotion specialists
- 1 accountant
- 1 administrative assistant
- 1 education specialist

In addition, the following personnel will work with the Federation:

- 1 agricultural technician (funded by USAID)
- 1 finance specialist (funded by the National Development Bank)

In the three years since phase I was initiated the following progress has been made by the program:

	<u>March 1970</u>	<u>Dec. 1972</u> <sup>1/</sup>
Total number of credit unions	8	29
Number of rural credit unions	(2)	(19)
Total credit union membership	2,992	7,042
Rural credit union membership	(292)	(2,549)
Rural credit union savings	\$3,300	\$75,262
Loans outstanding in rural credit unions	\$3,111	\$144,024

Phase II

As the first phase of the CUNA program centered around the formation of credit unions, the second centers around the formation of a Federation. In each of its programs throughout the world, CUNA has always overseen the development of an autonomous local organization which would carry out the technical assistance role after the CUNA technician had left. In addition, these Federations have assumed a financial and representational role. They also continue the effort to promote new credit unions, to guide the daily operations of those already in existence, to introduce new programs for the benefit of affiliates and, in general, to see to it that the movement remains a cohesive social and economic development force rather than a group of disparate organizations all with the same name but each going its separate way.

While earlier plans called for the Paraguayan credit union federation to be formed before the end of CY 1972, this was not possible because the credit unions were not able to obtain their chartering under the new Cooperative Law that was put in force during July 1972. The Federation can not be formed until the individual credit unions have been legally chartered. The Cooperatives Supervisory Agency of the Ministry of Agriculture has not yet effectively worked out the procedures to be followed for their reinscription and chartering under the new law; however, the director of the agency has given CUNA and USAID his assurance that chartering will be granted without delay.

<sup>1/</sup> These figures include data from 10 credit unions which are presently awaiting legislation by the GOP's Cooperative Supervisory Agency. These credit unions have a total of 527 members and \$3,706 in savings.

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CMA now estimates that the constitutional assembly of the Federation will be held in August of 1971, and that the Federation will begin operations shortly thereafter. This delay in the commencement of the Federation has moved the date by which it will achieve its economic break-even point back one year to the end of CY 1970 (see Annex 6). Since neither the CMA nor UNICEF feel that CMA assistance should terminate until such time as the Federation's personnel have proven their managerial ability by reaching the break-even point in operations, the termination date for the project has also been moved back by one year to the end of FY 1970.

The Federation as envisioned by CMA will follow the general pattern of Latin American credit union Federations, that is, it will be owned and run by its affiliated credit unions who will delegate their authority to a board of directors. The board will be selected each year during the annual meeting of delegates. (One voting delegate per credit union). In addition, a supervisory committee which functions as an internal auditing group is chosen annually as is a three member credit committee, and unless otherwise stated in the by-laws, the manager must be reappointed by the board of directors each year. The service structure of the Federation will include a finance department and an administrative department. At a later date, it is possible that an insurance department will be added.

After forming the Federation the next step in Phase II will be to choose and train additional personnel for the Federation. One of the first tasks will be to begin the promotional efforts for the remaining 31 rural credit unions that are to be formed before the end of CY 1970. The sites for these rural credit unions have already been chosen. These choices were based on a minimum urban/rural population of 10,000 in the immediate vicinity of the town in question. Moreover, each of these sites is accessible to MAG extension agents. The order in which they will be chosen for development is being closely coordinated with UNICEF so that each program can take the fullest advantage of the other's services.

Phase Three

After the Federation has been operating for a year Phase III will begin. The goal of this third and final phase will be to convert the Federation into a self-sufficient institution whose primary source of income will come principally from the spread between what the Federation is paying in interest for an external loan and what it is charging affiliated credit unions which borrow from it. (2% w/A 6-8% respectively). The reasons for such a large spread is to enable the Federation to provide the needed technical assistance to the borrowing credit unions, meet administrative costs, build the necessary reserves and to become self-sufficient in a three-year period.

In later years when the lending volume has built up and the Federation's own capital has greatly increased through compulsory capitalization by the credit unions (5% of each loan and 2.5% of total savings; see Annex 7) the Federation will no longer be dependant on the large point spread of a concessionary loan. In addition to interest income, the Federation will also charge the credit unions for certain of its services (auditing and some education courses) and will collect from each affiliated credit union a small annual membership fee (15¢ per individual member in the credit union). In order to do this two additional inputs will be necessary: 1) an additional technician and 2) a long-term soft loan. The technician will be a finance specialist who will have two primary tasks: the first will be to prepare the Federation's personnel to administer

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the loan and the second will be to improve the quality of the Federation's financial technical assistance to the credit unions. It is felt that two years will be needed for the technicians to complete this task. The loan request will be for the equivalent of US\$ 2,000,000 with a 25-year repayment schedule with an interest rate of 3% per year, and a seven year grace period during which the interest rate would be 0%. As can be seen in Annex 6 this will allow the Federation to reach the break-even point by the end of CY 1978. Other lending agencies will be approached to provide this loan, but should they not be willing, the USAID will propose an A.I.B. loan.

#### b. Urban Credit Unions

While the Federation and the OCHA advisor will concentrate their efforts in the rural area, it is expected that the urban sector credit unions will continue to expand from their present base and will require a certain amount of assistance from this program. It is expected that the majority of the urban credit unions will affiliate with the Federation once it is formed as there will be many of the Federation's services which will be as applicable to an urban credit union as they are to a rural one. Some of these services are: 1) membership and savings promotional campaigns; 2) planning seminars; 3) delinquency control programs; 4) membership education programs; 5) budget preparation; 6) family financial counseling courses; 7) assistance in accounting; 8) training courses for managers and directors; 9) audits and assistance in risk management techniques; 10) office and bookkeeping supplies; 11) loans for productive purposes from funds resulting from the compulsory capitalization; 12) life insurance on savings and loans; 13) fidelity bonding service; and 14) centralization of funds and accounting programs.

At present there is a law before the Congress of Paraguay that would make the informal lending clubs that exist in many offices and stores illegal. If this law passes, these clubs will have to decide whether to disband, operate illegally, or make the transition to a credit union or other financial entity. It would then be this program's policy to suggest to these small groups that they join an existing credit union or that several of them merge to form a strong new credit union that has a large potential membership. It is possible that this advice may not be heeded and that a large number of very small credit unions will exist in the urban areas, which could place heavy demands on the Federation for services. However, this will not affect the project, as the Federation's policy will be not to accept any credit union as a member if it does not have a potential membership of at least 500 people.

#### 4. Other Inputs

##### a. Peace Corps Volunteers

The program hopes eventually to have a total of four Peace Corps Volunteers working as assistants to the three promotion specialists or to the auditors. These Volunteers will assist these Federation's employees to carry out their assigned jobs and in this way help them to reach with greater frequency the growing number of credit unions. Two of these Volunteers are expected to arrive in July of 1973 and the remaining two before the middle of CY 1974.

While the presence of four Volunteers will have a significant effect on the quality of some of the program's outputs, it is not felt that the Peace Corps services are critical to project success.

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**b. Participant Training, I.A. and Short Courses**

Approximately \$20,000 per year has been budgeted for participant training, principally in third countries. This amount will allow 6 participants per year to be trained in cooperative management techniques. It is felt that a certain amount of pre-training and experience is necessary in order to ensure that the candidates sent for participant training are able to take full advantage of the opportunity, and that they will remain in the program after returning.

**c. Other Sources of Technical Assistance**

**The Confederation of Latin American Credit Unions (CEAC)**

On March 31, 1979 CEAC assumed full responsibility for the A.I.D. supported regional credit union technical assistance program. This program, formerly known as CUSA/LACU, employs nine technicians who are specialists in such fields as finance, production credit programs, organization development, promotion programs, statistics, and cooperative insurance. The Federation's budget projections already contain a \$1,000,000 per year line item for membership dues to CEAC which would give it the right to request technical assistance from CEAC.

According to our projections, the credit demand is expected to increase by 1978 to a level above the \$2,000,000, therefore additional external loan funds may be necessary. Since CEAC's plans are to become a regional intercountry financial institution as well as a technical assistance organization, it is very possible that it will be able to provide the additional loan funds, at the projected rate of 7 1/2% per year, that will be needed to meet the expected demand after the \$2,000,000 soft loan has been disbursed.

INDEX OF MATERIALS ATTACHED

ANNEK No.

TITLE

- 1 UNITED STATES TO MEASURE THE CHANGE IN THE NET INCOME OF PARTICIPANTS IN THE CREDIT UNION EDUCATION CREDIT PROGRAM
- 2 ANNUAL INCOME STATEMENTS - RURAL RURAL CREDIT UNION
- 3 RURAL CREDIT UNION MEMBERSHIP
- 4 URBAN CREDIT UNION MEMBERSHIP
- 5 TOTAL CREDIT UNION MEMBERSHIP, 1973 - 1980
- 6 PROJECTED FEDERATION INCOME AND EXPENSES, 1973 - 1980
- 7 PERCENTAGE OF CREDIT UNIONS THAT HAVE BEEN APPROVED BY FDIC
- 8 QUARTERLY REPORTS
- 9 PERCENT OF CREDIT UNIONS WITH FULL-TIME SALD MANAGERS
- 10 RURAL CREDIT UNIONS SAVINGS
- 11 URBAN CREDIT UNIONS SAVINGS
- 12 TOTAL CREDIT UNIONS SAVINGS
- 13 RURAL CREDIT UNION LOANS
- 14 URBAN CREDIT UNION LOANS
- 15 TOTAL CREDIT UNION LOANS
- 16 NUMBER OF RURAL CREDIT UNION MEMBERS RECEIVING AGRICULTURE LOANS DURING THE YEAR
- 17 AVERAGE "NORMAL" DELINQUENCY - 90 DAYS AND 120 DAYS
- 18 NUMBER OF INDIVIDUALS FINANCED BY EDUCATION LOANS
- 19 NUMBER OF CREDIT UNION MEMBERS WHOSE FIRST EMPLOYER THROUGH AN AGRICULTURAL COOPERATIVE OR AN AGRICULTURAL COOPERATIVE COMPANY
- 20 NUMBER OF BRANCHES AND BOARD MEMBERS TRAINED BY FEDERATION PERSONNEL
- 21 EDUCATION COURSES

ANNEX 1

SAMPLE SURVEY TO MEASURE THE CHANGE IN THE NET INCOME OF PARTICIPANTS IN THE CREDIT UNION PRODUCTION CREDIT PROGRAM

Technicians from COLAC are designing a survey form to measure the changes in net income of credit union members participating in production credit programs. During the next year COLAC plans to instruct federation personnel from six countries (Guatemala, Honduras, Costa Rica, Panamá, Ecuador and Paraguay)<sup>1/</sup> in sample gathering, tabulating and interpreting methods. The results of these surveys will then be presented to AID/W as an indicator of progress towards the goal established in COLAC's own proposal to AID.

The first country in which the survey is to be carried out is Costa Rica. COLAC estimates that the time needed to solve any problems which may arise during this test run concerning the survey form collection methods will be approximately four to six months. During the six months following this, COLAC expects to train local personnel in each of the remaining five countries. This means that within the next 10-12 months program personnel in Paraguay will have the materials and training needed to carry out the sample surveys necessary to measure goal accomplishment as expressed in this PROP.

1/ Per J. Olesen, COLAC.

ANNUAL INCOME STATEMENTS - TYPICAL RURAL CREDIT UNION  
FIRST TO TENTH YEAR OF OPERATIONS

	Initial year of operations	Second year of operations	Third year of operations	Fourth year of operations	Fifth year of operations	Sixth year of operations	Seventh year of operations	Eighth year of operations	Ninth year of operations	Tenth year of operations
<b>Income</b>										
Interest from agricultural loans (12%)	\$ 84	\$ 723	\$2,396	\$5,003	\$ 8,137	\$11,543	\$15,040	\$18,657	\$22,847	\$27,746
Interest from non-agricultural loans (12%)	-0-	192	478	710	991	1,281	1,579	1,885	2,195	2,505
Membership fees (\$300 per member)	238	357	357	238	119	119	119	119	-0-	-0-
Commission on loans (2%)	29	276	650	1,158	1,697	2,293	2,852	3,902	4,235	5,014
Dividends on federation shares (average)								221	221	221
<b>Total Income</b>	<u>\$351</u>	<u>\$1,548</u>	<u>\$3,881</u>	<u>\$7,109</u>	<u>\$10,944</u>	<u>\$15,328</u>	<u>\$19,590</u>	<u>\$24,684</u>	<u>\$29,778</u>	<u>\$35,786</u>
<b>Expenses</b>										
Salary - Manager (8)	\$ 95	\$ 286	\$ 571	\$ 714	\$ 857	\$ 922	\$ 1,047	\$ 1,152	\$ 1,267	\$ 1,394
Salary - Other (8)	-0-	476	932	1,143	1,524	2,380	2,618	2,880	3,168	3,485
Fringe benefits (14%)	-0-	110	221	269	353	484	532	585	644	708
13th month salary	-0-	63	127	155	214	270	305	336	369	407
Per diem	-0-	48	95	133	182	190	238	238	238	284
Interest on borrowed funds	-0-	238	944	2,636	4,314	6,138	7,900	9,640	11,640	13,800
Life insurance on borrowers	-0-	-0-	57(8)	381	604	848	1,098	1,353	1,648	1,977
Fidelity bond insurance	-0-	-0-	-0-	50	70	81	105	110	132	186
Federation dues (1% per member)	-0-	-0-	-0-	79	87	93	103	111	111	111
Education expense (8)	-0-	-0-	-0-	30	35	40	45	50	55	60
Rent	-0-	48	96	96	114	143	143	190	190	238
Telephone, light and water	-0-	48	48	48	57	95	111	127	143	159
Office materials	25	95	114	133	171	190	222	254	286	317
Depreciation	-0-	48	95	114	133	143	143	143	198	198
Audit expense	-0-	-0-	16	18	22	26	30	36	36	75
Bad debt expense (1% of loans)	16	149	353	630	924	1,249	1,555	1,909	2,309	2,735
Miscellaneous expense	10	143	286	312	381	478	522	552	579	603
<b>Total Expense</b>	<u>\$146</u>	<u>\$1,772</u>	<u>\$4,015</u>	<u>\$6,941</u>	<u>\$10,042</u>	<u>\$13,888</u>	<u>\$16,726</u>	<u>\$19,674</u>	<u>\$23,055</u>	<u>\$26,759</u>
<b>Gain or (Loss) on Operations</b>	<u>\$205</u>	<u>\$ (224)</u>	<u>\$ (134)</u>	<u>\$ 168</u>	<u>\$ 902</u>	<u>\$ 1,440</u>	<u>\$ 2,870</u>	<u>\$ 3,010</u>	<u>\$ 6,723</u>	<u>\$ 9,027</u>
<b>Distribution of Gain or Loss per Cap. Inv. (8)</b>										
Dividends on shares	58			\$ 7	\$ 451	\$ 719	\$ 1,435	\$ 2,505	\$ 3,382	\$ 4,524
Patronage refund to borrowers	352			\$ 5	\$ 316	\$ 380	\$ 1,005	\$ 1,754	\$ 2,387	\$ 3,166
Education reserve	58			\$ 1	\$ 45	\$ 72	\$ 143	\$ 250	\$ 338	\$ 452
General reserve	102			\$ 155	\$ 90	\$ 143	\$ 287	\$ 518	\$ 678	\$ 985
	<u>\$305</u>	<u>\$ (224)</u>	<u>\$ (134)</u>	<u>\$ 155</u>	<u>\$ 90</u>	<u>\$ 143</u>	<u>\$ 287</u>	<u>\$ 518</u>	<u>\$ 678</u>	<u>\$ 985</u>

Footnotes on following page.

FOOTNOTES TO ANNEX 2, PAGE 1

(1) Paid Personnel of a Typical Rural Credit Union

	<u>1st</u> <u>Yr.</u>	<u>2nd</u> <u>Yr.</u>	<u>3rd</u> <u>Yr.</u>	<u>4th</u> <u>Yr.</u>	<u>5th</u> <u>Yr.</u>	<u>6th</u> <u>Yr.</u>	<u>7th</u> <u>Yr.</u>	<u>8th</u> <u>Yr.</u>	<u>9th</u> <u>Yr.</u>	<u>10th</u> <u>Yr.</u>
		less than half time	half time	1	1	1	1	1	1	1
Manager				1	1	1	1	1	1	1
Loan Officers	0		1	1	1	2	2	2	2	2
Office Assistant	0	0	1	1	1	1	1	1	1	1
Secretary	0	0	0	0	1	1	1	1	1	1

- (2) This account reflects the amounts paid to the federation for courses attended by committee members and paid personnel and does not include funds expended on the education of credit union members. Members' education is paid for by a direct charge to the education reserve and thus is not reflected in any operating expense account.
- (3) According to the Cooperative Law of Paraguay, profits made by any cooperative enterprise must be distributed as follows:
- (a) 50% to shareholders as dividends.
  - (b) 35% to users of the cooperative's services (in the case of credit unions, the borrowers) as a patronage refund.
  - (c) 10% to a general reserve account.
  - (d) 5% to an education reserve account to be used to promote cooperative education among the members.
- (4) It is assumed this service will begin half way through the year and therefore the \$97 is one half the total yearly premium for that year

AVERAGE AMOUNT OF AGRICULTURAL PRODUCTION ORIENTED LOANS OUTSTANDING\*  
AND AMOUNT OF INTEREST EARNED ON THESE LOANS BY A TYPICAL RURAL CREDIT UNION  
DURING ITS FIRST 10 YEARS OF OPERATIONS

Credit Unions in their:	Total amount of production oriented loans made during the year	Initial year of operations/ Average amount outstanding	Second year of operations/ Average amount outstanding	Third year of operations/ Average amount outstanding	Fourth year of operations/ Average amount outstanding	Fifth year of operations/ Average amount outstanding	Sixth year of operations/ Average amount outstanding	Seventh year of operations/ Average amount outstanding	Eighth year of operations/ Average amount outstanding	Ninth year of operations/ Average amount outstanding	Tenth year of operations/ Average amount outstanding
First year of operations	\$ 1,584	\$ 697	\$ 887								
Second year of operations	\$ 11,669		5,134	\$ 6,535							
Third year of operations	\$ 30,518			13,428	\$ 17,090						
Fourth year of operations	\$ 55,915				24,603	\$ 31,312					
Fifth year of operations	\$ 82,949					36,498	\$ 46,451				
Sixth year of operations	\$ 113,045						49,740	\$ 63,305			
Seventh year of operations	\$ 140,976							62,029	\$ 78,947		
Eighth year of operations	\$ 173,923								76,526	\$ 97,397	
Ninth year of operations	\$ 211,338									92,998	\$ 118,360
Tenth year of operations	\$ 251,301										110,600
Average amount of agricultural production credit outstanding		\$ 697	\$ 6,021	\$ 19,963	\$ 41,693	\$ 67,810	\$ 96,191	\$ 125,334	\$ 155,473	\$ 190,395	\$ 228,968
Times: Annual interest rate:		12%	12%	12%	12%	12%	12%	12%	12%	12%	12%
Interest earned during the year:		\$ 84	\$ 723	\$ 2,396	\$ 5,003	\$ 8,137	\$ 11,543	\$ 15,040	\$ 18,657	\$ 22,847	\$ 27,476

The "Average Amount Outstanding" for the initial year of operations was determined by taking 44% of that year's total agricultural production credit loan portfolio. (A study of 5 rural credit unions showed this to be the average amount outstanding during the year.)  
To determine the second year's average amount outstanding, the remaining 56% from the first year was added to 44% of the total of agricultural production loans of the second year. This model was then followed for each subsequent year.

**AVERAGE AMOUNT\* OF LOANS OUTSTANDING IN A TYPICAL RURAL CREDIT UNION WHICH ARE NOT ORIENTED TO AGRICULTURAL PRODUCTION  
AND AMOUNT OF INTEREST EARNED ON THESE LOANS BY THE CREDIT UNION DURING ITS FIRST 10 YEARS OF OPERATIONS**

**Annex 2  
Page 1-c**

	Accumulated non-farmer savings per credit union available for non-agricultural loans	Initial year of operations/ Average amount outstanding	Second year of operations/ Average amount outstanding	Third year of operations/ Average amount outstanding	Fourth year of operations/ Average amount outstanding	Fifth year of operations/ Average amount outstanding	Sixth year of operations/ Average amount outstanding	Seventh year of operations/ Average amount outstanding	Eighth year of operations/ Average amount outstanding	Ninth year of operations/ Average amount outstanding	Tenth year of operations/ Average amount outstanding
First year of credit union operations	-0-	-0-	-0-								
Second year of credit union operations	\$3,200		\$1,600	\$1,600							
Third year of credit union operations	\$4,760			2,380	\$2,380						
Fourth year of credit union operations	\$7,072				3,536	\$3,536					
Fifth year of credit union operations	\$9,452					4,726	\$ 4,726				
Sixth year of credit union operations	\$11,900						5,950	\$5,950			
Seventh year of credit union operations	\$14,416							7,208	\$ 7,208		
Eighth year of credit union operations	\$17,000								8,500	\$ 8,500	
Ninth year of credit union operations	\$19,584									9,792	\$ 9,792
Tenth year of credit union operations	\$22,168										<u>11,084</u>
Average amount of loans to non-farmer/members outstanding:		-0-	\$1,600	\$3,980	\$5,916	\$8,262	\$10,676	\$13,158	\$15,708	\$18,292	\$20,876
Times: Annual interest rate:			<u>12%</u>	<u>12%</u>	<u>12%</u>	<u>12%</u>	<u>12%</u>	<u>12%</u>	<u>12%</u>	<u>12%</u>	<u>12%</u>
Interest earned during the year:		-0-	<u>\$ 192</u>	<u>\$ 478</u>	<u>\$ 710</u>	<u>\$ 991</u>	<u>\$ 1,281</u>	<u>\$ 1,579</u>	<u>\$ 1,885</u>	<u>\$ 2,195</u>	<u>\$ 2,505</u>

\* The basic assumption in determining the average amount of credit outstanding was that there would be a level distribution of loans throughout the year; therefore in any given year 50% of the previous year's loans will be outstanding as well as 50% of the current year's loans.  
 \*\* See Assumption 7 of Annex 13.

PROJECTED INCOME FROM MEMBERSHIP FEES IN A RURAL CREDIT UNION  
DURING THE FIRST TEN YEARS OF OPERATIONS

	First Year of operations	Second Year of operations	Third Year of operations	Fourth Year of operations	Fifth Year of operations	Sixth Year of operations	Seventh Year of operations	Eighth Year of operations	Ninth Year of operations	Tenth Year of operations
Total new members*	100	150	150	100	50	50	50	50	00	00
Multiplied by:										
Membership fee (\$ 3.00)	\$ 2.38	\$ 2.38	\$ 2.38	\$ 2.38	\$ 2.38	\$ 2.38	\$ 2.38	\$ 2.38	\$ 2.38	\$ 2.38
Total membership fee income of a typical rural credit union	<u>\$ 238.00</u>	<u>\$ 357.00</u>	<u>\$ 357.00</u>	<u>\$ 238.00</u>	<u>\$ 119.00</u>	<u>\$ 119.00</u>	<u>\$ 119.00</u>	<u>\$ 119.00</u>	<u>00</u>	<u>00</u>
* See annex 3, page 1.										

COMMISSIONS MADE ON LOANS BY A TYPICAL RURAL CREDIT UNION  
DURING ITS FIRST 10 YEARS OF OPERATIONS

	First year of operations	Second year of operations	Third year of operations	Fourth year of operations	Fifth year of operations	Sixth year of operations	Seventh year of operations	Eighth year of operations	Ninth year of operations	Tenth year of operations
Amount of loans oriented to agricultural production:*	\$1,440	\$10,608	\$27,744	\$50,832	\$75,408	\$102,768	\$126,160	\$158,112	\$192,144	\$228,528
Amount of loans not oriented to agricultural production:	<u>-0-</u>	<u>3,200</u>	<u>4,760</u>	<u>7,072</u>	<u>9,452</u>	<u>11,900</u>	<u>14,416</u>	<u>17,000</u>	<u>19,584</u>	<u>22,168</u>
Total loans:	\$1,440	\$13,808	\$32,504	\$57,904	\$84,860	\$114,668	\$142,576	\$175,112	\$211,728	\$250,696
Multiplied by the commission rate:	<u>2%</u>	<u>2%</u>	<u>2%</u>	<u>2%</u>	<u>2%</u>	<u>2%</u>	<u>2%</u>	<u>2%</u>	<u>2%</u>	<u>2%</u>
Commission income:	<u>\$ 29</u>	<u>\$ 276</u>	<u>\$ 650</u>	<u>\$ 1,158</u>	<u>\$ 1,697</u>	<u>\$ 2,293</u>	<u>\$ 2,852</u>	<u>\$ 3,502</u>	<u>\$ 4,235</u>	<u>\$ 5,014</u>

\* These figures are less than the actual amount of agricultural credit put on the books during the year because the 2% commission is not charged on the 10% required capitalization that is added to each production oriented loan.

DIVIDENDS ON SHARES PURCHASED IN THE FEDERATION

ASSUMPTIONS:

- 1) The Federation will begin paying dividends on shares in 1978.
- 2) In 1978 the average rural credit union will be 5 years old, and therefore will have the following amount in Federation shares during that year and the following two years:

<u>5th year</u>	<u>6th year</u>	<u>7th year</u>
\$7,901	\$12,691	\$18,502

Adding these three figures we get: \$39,094, for a 3-year average of \$13,031.

- 3) The average amount paid by the Federation on shares during 1978 - 1980 will be 4%.

4) Therefore, the average amount received per year by the average credit union will be  $\$13,031 \times 4\% = \$521$ .

5) Since no credit union will get this \$521 per year for more than 3 years during the 1973 - 1980 time span, it has been placed in the income column of the last three years of the typical credit union to avoid showing an increase in income in, for example, the 5th, 6th and 7th years as a result of this dividend and then showing no dividend income in the subsequent years.

**INTEREST EXPENSE OF A TYPICAL RURAL CREDIT UNION DURING THE FIRST 10 YEARS OF ITS OPERATIONS**

Annex 2  
Page 1-g

	Amount of loan outstanding to the federation as of Dec. 31	Initial year of operations/ Average amount outstanding	Second year of operations/ Average amount outstanding	Third year of operations/ Average amount outstanding	Fourth year of operations/ Average amount outstanding	Fifth year of operations/ Average amount outstanding	Sixth year of operations/ Average amount outstanding	Seventh year of operations/ Average amount outstanding	Eighth year of operations/ Average amount outstanding	Ninth year of operations/ Average amount outstanding	Tenth year of operations/ Average amount outstanding
First year of credit union operations	-0-	-0-									
Second year of credit union operations	\$8,483		\$4,242	\$ 4,251							
Third year of credit union operations	\$23,000			11,500	\$11,500						
Fourth year of credit union operations	\$42,903				21,452	\$21,451					
Fifth year of credit union operations	\$64,953					32,477	\$32,476				
Sixth year of credit union operations	\$88,500						44,250	\$44,250			
Seventh year of credit union operations	\$109,000							54,500	\$54,500		
Eighth year of credit union operations	\$132,000								66,000	\$ 66,000	
Ninth year of credit union operations	\$159,000									79,500	\$ 79,500
Tenth year of credit union operations	\$184,500										\$ 93,000
Interest rate*		-0-	\$4,242	\$15,741	\$32,952	\$53,928	\$76,726	\$98,750	\$120,500	\$145,500	\$172,500
			6%	6%	8%	8%	8%	8%	8%	8%	8%
			<u>\$ 255</u>	<u>\$ 944</u>	<u>\$ 2,636</u>	<u>\$ 4,314</u>	<u>\$ 6,138</u>	<u>\$ 7,900</u>	<u>\$ 9,640</u>	<u>\$ 11,640</u>	<u>\$ 13,800</u>

\* The federation will only charge a typical credit union 6% during the second and third year of its (the credit union's) operations as a subsidy during these years. Thereafter it will charge its normal rate of 8%.

YEAR-END BALANCE SHEET - TYPICAL RURAL CREDIT UNION  
FIRST TO TENTH YEAR OF OPERATIONS

	Initial year of operations	Second year of operations	Third year of operations	Fourth year of operations	Fifth year of operations	Sixth year of operations	Seventh year of operations	Eighth year of operations	Ninth year of operations	Tenth year of operations
<b>Assets</b>										
Cash	\$ 447	\$ 203	\$ 931	\$ 1,915	\$ 1,821	\$ 1,356	\$ 1,754	\$ 1,638	\$ 1,834	\$ 1,956
Agricultural loans receivable	1,584	11,669	30,518	55,915	82,949	113,045	140,976	173,923	211,358	251,381
Non-agricultural loans receivable	-0-	3,200	4,760	7,072	9,452	11,900	14,410	17,000	19,584	22,168
Less: Allowance for bad debts (1)	(16)	(149)	(353)	(630)	(924)	(1,249)	(1,555)	(1,909)	(2,309)	(2,735)
Interest receivable	84	808	1,897	2,635	5,358	8,632	12,183	15,829	19,599	23,944
Equipment	-0-	965	965	1,140	1,330	1,430	1,430	1,430	1,980	1,980
Less: Accumulated depreciation	-0-	(48)	(143)	(257)	(390)	(533)	(676)	(819)	(1,017)	(1,215)
Shares in federation (2)	-0-	619	1,978	4,376	7,919	12,709	18,590	25,699	34,217	44,175
Other assets	10	10	10	25	50	100	150	200	250	300
<b>Total Assets</b>	<b>\$2,109</b>	<b>\$17,277</b>	<b>\$40,563</b>	<b>\$72,191</b>	<b>\$107,565</b>	<b>\$147,390</b>	<b>\$187,268</b>	<b>\$232,991</b>	<b>\$285,496</b>	<b>\$341,954</b>
<b>Liabilities</b>										
Loans payable	-0-	\$ 8,600	\$23,000	\$42,903	\$ 64,953	\$ 88,500	\$109,000	\$132,000	\$159,000	\$186,000
Interest payable	-0-	258	944	2,636	4,314	6,138	7,900	9,640	11,640	13,800
Other liabilities (3)	-0-	865	865	627	325	-0-	-0-	-0-	-0-	-0-
<b>Total Liabilities</b>	<b>-0-</b>	<b>\$ 9,723</b>	<b>\$24,809</b>	<b>\$46,166</b>	<b>\$ 69,592</b>	<b>\$ 94,638</b>	<b>\$116,900</b>	<b>\$141,640</b>	<b>\$170,640</b>	<b>\$199,800</b>
<b>Capital</b>										
Share capital (savings)	\$1,904	\$ 7,573	\$15,907	\$26,022	\$ 37,835	\$ 52,440	\$ 69,696	\$ 90,059	\$112,777	\$139,062
General reserve	205	(19)	(153)	2	92	235	522	1,032	1,708	2,613
Education reserve (4)	-0-	-0-	-0-	1	46	77	150	260	371	479
<b>Total Capital</b>	<b>\$2,109</b>	<b>\$ 7,354</b>	<b>\$15,754</b>	<b>\$26,025</b>	<b>\$ 37,973</b>	<b>\$ 52,752</b>	<b>\$ 70,368</b>	<b>\$ 91,351</b>	<b>\$114,856</b>	<b>\$142,154</b>
<b>Total Liabilities &amp; Capital</b>	<b>\$2,109</b>	<b>\$17,277</b>	<b>\$40,563</b>	<b>\$72,191</b>	<b>\$107,565</b>	<b>\$147,390</b>	<b>\$187,268</b>	<b>\$232,991</b>	<b>\$285,496</b>	<b>\$341,954</b>

Footnotes on following page.

FOOTNOTES TO ANNEX 2, PAGE 2

- (1) For purposes of these projections the bad debt allowance account, which was established as 1% of loans in year X, is expected to be entirely used up by actual uncollectible accounts in year X + 1, therefore this allowance account never reflects a greater amount than was put into it in the year in question. This is a conservative projection and if actual bad debts occur at a lower rate, the allowance account will be permitted to accumulate until it reaches 2% of loans outstanding.
- (2) Each rural credit union will capitalize the federation in the following ways:
  - (a) An amount equal to 5% of each loan it takes from the federation/central will be used to purchase shares in that organization at the time the loan is made, and
  - (b) At the end of each year it will purchase enough additional shares so that (exclusive of loan capitalization) it has 2.5% of the total amount of its own members savings in the federation.
- (3) This account refers to a loan to the credit union for the purchase of office equipment such as, desks, chairs, typewriter, adding machine and filing cabinet.
- (4) In these projections the education reserve has been used as follows:

<u>6th year</u>	<u>7th year</u>	<u>8th year</u>	<u>9th year</u>	<u>10th year</u>
\$41	\$70	\$140	\$255	\$364

During the years in question these amounts were direct charges to the reserve fund and therefore are not reflected in the "education expense" account.

CAPITALIZATION OF THE FEDERATION BY A TYPICAL RURAL CREDIT UNION  
FROM ITS INITIAL YEAR OF OPERATIONS THROUGH ITS TENTH YEAR OF OPERATIONS

Annex 2  
Page 2-b

	Initial year of credit union operations	Second year of credit union operations	Third year of credit union operations	Fourth year of credit union operations	Fifth year of credit union operations	Sixth year of credit union operations	Seventh year of credit union operations	Eighth year of credit union operations	Ninth year of credit union operations	Tenth year of credit union operations
1. Amount of loans from the federation to the credit union:	---	\$8,600	\$23,000	\$42,903	\$64,953	\$88,500	\$109,000	\$132,000	\$159,000	\$186,000
2. 5% capitalized in the federation:	---	5%	5%	5%	5%	5%	5%	5%	5%	5%
	---	\$ 430	\$ 1,150	\$ 2,145	\$ 3,248	\$ 4,425	\$ 5,450	\$ 6,600	\$ 7,950	\$ 9,300
3. Accumulated capitalization of loans received from the federation:	---	\$ 430	\$ 1,580	\$ 3,725	\$ 6,973	\$11,398	\$ 16,848	\$ 23,448	\$ 31,398	\$ 40,698
4. Total savings of the credit union:	---	\$7,573	\$15,907	\$26,022	\$37,835	\$52,440	\$ 69,696	\$ 90,059	\$112,777	\$139,062
5. Capitalization of savings in the federation to be maintained at 2.5% of total credit union savings:	---	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%
	---	\$ 189	\$ 398	\$ 651	\$ 946	\$ 1,311	\$ 1,742	\$ 2,251	\$ 2,819	\$ 3,477
6. Total accumulated capitalization by the credit union in the federation (3 + 5):	---	\$ 619	\$ 1,978	\$ 4,376	\$ 7,919	\$12,709	\$ 18,590	\$ 25,699	\$ 34,217	\$ 44,175

**CAPITAL GROWTH OF A TYPICAL RURAL CREDIT UNION  
FROM INITIAL YEAR THROUGH TENTH YEAR OF OPERATIONS**

Annex 2  
Page 2-c

	Initial year of credit union operations	Second year of credit union operations	Third year of credit union operations	Fourth year of credit union operations	Fifth year of credit union operations	Sixth year of credit union operations	Seventh year of credit union operations	Eighth year of credit union operations	Ninth year of credit union operations	Tenth year of credit union operations
<b>1. Savings of non-farmer members</b>										
Number of non-farmer members	80	120	150	170	175	180	185	190	190	190
x \$16 (Average annual savings)	\$16	\$16	\$16	\$16	\$16	\$16	\$16	\$16	\$16	\$16
Savings of non-farmer members:	\$1,280	\$1,920	\$2,400	\$2,720	\$2,800	\$2,880	\$2,960	\$3,040	\$3,040	\$3,040
<b>2. First-year savings of farmer members</b>										
Number of new farmer members	20	110	120	80	45	45	45	45	0	0
x \$24 (Average annual savings)	\$24	\$24	\$24	\$24	\$24	\$24	\$24	\$24	--	--
First-year savings of farmer members:	\$480	\$2,640	\$2,880	\$1,920	\$1,080	\$1,080	\$1,080	\$1,080	--	--
<b>3. Savings of non-borrowing farmers</b>										
Number of non-borrowing farmers*	0	6	35	49	49	46	50	54	58	49
x \$8 (Average annual savings)	--	\$8	\$8	\$8	\$8	\$8	\$8	\$8	\$8	\$8
Savings of non-borrowing farmers:	--	\$48	\$280	\$392	\$392	\$368	\$400	\$432	\$464	\$392
<b>4. Capitalization of production-oriented loans</b>										
Amount of production-oriented loans	\$1,440	\$10,608	\$27,744	\$50,832	\$75,408	\$102,768	\$128,160	\$158,112	\$192,144	\$228,528
10% (Required capitalization)	10%	10%	10%	10%	10%	10%	10%	10%	10%	10%
Capitalization of production-oriented loans:	144	\$ 1,061	\$ 2,774	\$ 5,083	\$ 7,541	\$ 10,277	\$ 12,816	\$ 15,811	\$ 19,214	\$ 22,853
<b>5. Total annual capitalization:</b>	<u>\$1,904</u>	<u>\$ 5,669</u>	<u>\$ 8,334</u>	<u>\$10,115</u>	<u>\$11,813</u>	<u>\$ 14,605</u>	<u>\$ 17,256</u>	<u>\$ 20,363</u>	<u>\$ 22,718</u>	<u>\$ 26,285</u>
<b>6. Accumulated capitalization:</b>	<u>\$1,904</u>	<u>\$ 7,573</u>	<u>\$15,907</u>	<u>\$26,022</u>	<u>\$37,835</u>	<u>\$ 52,440</u>	<u>\$ 69,696</u>	<u>\$ 90,059</u>	<u>\$112,777</u>	<u>\$139,062</u>

\* Not including first-year farmer/members who do not have loans -- their savings are already accounted for in N° 2 above.

SOURCES AND USES OF FUNDS - TYPICAL RURAL CREDIT UNION  
FIRST TO TENTH YEAR OF OPERATIONS

	Initial year of operations	Second year of operations	Third year of operations	Fourth year of operations	Fifth year of operations	Sixth year of operations	Seventh year of operations	Eighth year of operations	Ninth year of operations	Tenth year of operations
<b>Sources of Funds</b>										
Borrowed funds	--	\$ 8,800	\$14,400	\$19,903	\$22,050	\$23,547	\$20,500	\$23,000	\$27,000	\$27,000
Interest payable	--	238	686	1,682	1,678	1,824	1,762	1,740	2,000	2,160
Other liabilities	--	865	-0-	(238)	(302)	(325)	-0-	-0-	-0-	-0-
Share capital (savings)	\$1,956	3,669	8,234	10,213	11,813	14,605	17,256	20,363	22,718	26,285
General reserve	209	(224)	(134)	133	90	143	287	510	676	905
Education reserve	--	--	--	1	43	31	72	110	111	102
<b>Total Sources of Funds</b>	<b>\$2,319</b>	<b>\$13,318</b>	<b>\$23,296</b>	<b>\$31,628</b>	<b>\$35,374</b>	<b>\$39,825</b>	<b>\$39,878</b>	<b>\$45,773</b>	<b>\$52,395</b>	<b>\$56,458</b>
<b>Uses of Funds</b>										
Cash	\$ 667	\$ (266)	\$ 728	\$ 984	\$ (94)	\$ (665)	\$ 398	\$ (134)	\$ 196	\$ 122
Loans receivable*	1,508	13,172	20,219	27,432	29,120	32,219	30,343	33,177	39,619	42,181
Investment receivable	84	726	1,089	798	2,723	3,274	3,932	3,646	3,770	4,345
Equipment**	--	937	(395)	61	57	(43)	(343)	(341)	232	(198)
Subscriptions received	--	529	1,359	2,398	3,543	4,790	3,681	7,304	8,138	9,958
Other assets	10	--	--	13	23	30	30	30	30	30
<b>Total Uses of Funds</b>	<b>\$2,319</b>	<b>\$13,318</b>	<b>\$23,296</b>	<b>\$31,628</b>	<b>\$35,374</b>	<b>\$39,825</b>	<b>\$39,878</b>	<b>\$45,773</b>	<b>\$52,395</b>	<b>\$56,458</b>

\* Net of bad debt allowance  
\*\* Net of accumulated depreciation

RURAL CREDIT UNION MEMBERSHIP

Based on experience to date in credit unions in the rural areas of Paraguay, memberships in future rural credit unions is expected to grow in the following manner:

AVERAGE MEMBERSHIP GROWTH WITHIN A RURAL CREDIT UNION  
From Initiation to 10th Yr. of Operation

	<u>Farmer Members</u>			<u>Non-Farmer Members</u>			<u>Total Members</u>		
	<u>Jan. 1</u>	<u>New Members</u>	<u>Dec. 31</u>	<u>Jan. 1</u>	<u>New Members</u>	<u>Dec. 31</u>	<u>Jan. 1</u>	<u>New Members</u>	<u>Dec. 31</u>
Initial Yr.	0	20	20	0	80	80	0	100	100
2nd Yr.	20	110	130	80	40	120	100	150	250
3rd Yr.	130	120	250	120	30	150	250	150	400
4th Yr.	250	80	330	150	20	170	400	100	500
5th Yr.	330	45	375	170	5	175	500	50	550
6th Yr.	375	45	420	175	5	180	550	50	600
7th Yr.	420	45	465	180	5	185	600	50	650
8th Yr.	465	45	510	185	5	190	650	50	700
9th Yr.	510	0	510	190	0	190	700	0	700
10th Yr.	510	0	510	190	0	190	700	0	700

Also based on actual experience to date, the growth in the number of chartered rural credit union <sup>1/</sup> is expected to be as follows:

<sup>1/</sup> The number of chartered rural credit unions will generally lag behind the total number of rural credit unions by one year as it is approximately that long between the time the credit union is founded and the time it receives its charter.

**PROJECTED RURAL CREDIT UNION GROWTH, 1973 - 1980**

	<u>Already Chartered</u>	<u>Newly Chartered</u>	<u>Total Chartered</u>
1973	3	6	9
1974	9	6	15
1975	15	6	21
1976	21	6	27
1977	27	6	33
1978	33	7	40
1979	40	-	40
1980	40	-	40

Given (1) this projection of the number of rural credit unions, and (2) the average membership growth mentioned above, the projected membership of the total of all chartered rural credit unions in Paraguay is as follows:

**MEMBERSHIP GROWTH IN RURAL CREDIT UNIONS, 1973 - 1980**

	<u>Members as of Jan. 1</u>	<u>New Members</u>	<u>Total Number of Members as of Dec. 31</u>	<u>Total Farmer/Members</u>
1973	1,350	1,950	3,300	1,650
1974	3,300	2,700	6,000	3,390
1975	6,000	3,150	9,150	5,505
1976	9,150	3,450	12,600	7,890
1977	12,600	3,850	16,450	10,565
1978	16,450	3,600	20,050	13,480
1979	20,050	2,850	22,900	15,880
1980	22,900	1,900	24,800	17,520

PROJECTED ANNUAL MEMBERSHIP GROWTH OF RURAL CREDIT UNIONS, 1973 - 1980

Annex 3  
Page 2-a

	Accumulated membership per credit union	Membership Dec 31,1973	Membership Dec 31,1974	Membership Dec 31,1975	Membership Dec 31,1976	Membership Dec 31,1977	Membership Dec 31,1978	Membership Dec 31,1979	Membership Dec 31,1980
Credit Unions in their first year of operations	100	(6) 600	(6) 600	(6) 600	(6) 600	(7) 700			
Credit Unions in their second year of operations	250	(6) 1,500	(6) 1,500	(6) 1,500	(6) 1,500	(6) 1,500	(7) 1,750		
Credit Unions in their third year of operations	400	(3) 1,200	(6) 2,400	(6) 2,400	(6) 2,400	(6) 2,400	(6) 2,400	(7) 2,800	
Credit Unions in their fourth year of operations	500		(3) 1,500	(6) 3,000	(6) 3,000	(6) 3,000	(6) 3,000	(6) 3,000	(7) 3,500
Credit Unions in their fifth year of operations	550			(3) 1,650	(6) 3,300	(6) 3,300	(6) 3,300	(6) 3,300	(6) 3,300
Credit Unions in their sixth year of operations	600				(3) 1,800	(6) 3,600	(6) 3,600	(6) 3,600	(6) 3,600
Credit Unions in their seventh year of operations	650					(3) 1,950	(6) 3,900	(6) 3,900	(6) 3,900
Credit Unions in their eighth year of operations	700						(3) 2,100	(6) 4,200	(6) 4,200
Credit Unions in their ninth year of operations	700							(3) 2,100	(6) 4,200
Credit Unions in their tenth year of operations	700								(3) 2,100
<b>Total rural credit union membership</b>		<u>3,300</u>	<u>6,000</u>	<u>9,150</u>	<u>12,600</u>	<u>16,450</u>	<u>20,050</u>	<u>22,950</u>	<u>24,800</u>

**NOTE:**

The figures in parentheses refer to the number of credit unions that have been functioning for the number of years indicated in the column on the extreme left.

URBAN CREDIT UNION MEMBERSHIP

Membership in urban credit unions is projected to grow by an average of 100 new members per year per cooperative. While many of these urban credit unions will not be able to sustain this pace due to the limited size of their potential membership, others, due to excellence of management, magnitude of potential membership, promotional efforts and services offered, will double or even triple this figure.

The growth in the number of chartered urban credit unions is expected to be slow during the next two years as the CUNA program and the federation concentrate their efforts in the rural area. As the rural credit unions obtain more and more favorable publicity, however, pressures are expected to arise among urban groups for a similar solution to their credit needs. Although the federation, as well as CUNA, will continue to emphasize the rural sector, a certain amount of assistance undoubtedly will have to be given to these urban groups. It will be the policy of CUNA and the federation, however, to discourage the formation of credit unions by groups in which the membership potential is less than 500 and to encourage these smaller groups to join already existing credit unions. CUNA's experience elsewhere has shown that the largest single drain on a federation's limited technical resources is the small, inefficient credit union.

The projection for the number of urban credit unions is as follows:

PROJECTED URBAN CREDIT UNION GROWTH, 1973 - 1980

	<u>Urban Credit Unions as of Jan. 1</u>	<u>New Urban Credit Unions</u>	<u>Total Urban Credit Unions</u>
1973	10	1	11
1974	11	1	12
1975	12	3	15
1976	15	3	18
1977	18	3	21
1978	21	3	24
1979	24	3	27
1980	27	3	30

Given 4,500 urban credit union members at the end of 1972, and given an average of 100 new members per urban credit union per year in the future, total urban credit union membership is expected to grow as follows:

PROJECTED URBAN CREDIT UNION MEMBERSHIP, 1973 - 1980

	<u>Members as of Jan. 1</u>	<u>New Members</u>	<u>Members as of Dec. 31</u>
1973	4,500	1,100	5,600
1974	5,600	1,200	6,800
1975	6,800	1,500	8,300
1976	8,300	1,800	10,100
1977	10,100	2,100	12,200
1978	12,200	2,400	14,600
1979	14,600	2,700	17,300
1980	17,300	3,000	20,300

PROJECTED ANNUAL MEMBERSHIP GROWTH OF URBAN CREDIT UNIONS, 1973 - 1980

Annex 4  
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	Accumulated membership, per credit union	Membership Dec 31, 1973	Membership Dec 31, 1974	Membership Dec 31, 1975	Membership Dec 31, 1976	Membership Dec 31, 1977	Membership Dec 31, 1978	Membership Dec 31, 1979	Membership Dec 31, 1980
Credit Unions in their first year of operations	100	(1) 100	(1) 100	(3) 300	(3) 300	(3) 300	(3) 300	(3) 300	(3) 300
Credit Unions in their second year of operations	200	(5) 2,750*	(1) 200	(1) 200	(3) 600	(3) 600	(3) 600	(3) 600	(3) 600
Credit Unions in their third year of operations	300	(5) 2,750*	(5) 3,250	(1) 300	(1) 300	(3) 900	(3) 900	(3) 900	(3) 900
Credit Unions in their fourth year of operations	400		(5) 3,250	(5) 3,750	(1) 400	(1) 400	(3) 1,200	(3) 1,200	(3) 1,200
Credit Unions in their fifth year of operations	500			(5) 3,750	(5) 4,250	(1) 500	(1) 500	(3) 1,500	(3) 1,500
Credit Unions in their sixth year of operations	600				(5) 4,250	(5) 4,750	(1) 600	(1) 600	(3) 1,800
Credit Unions in their seventh year of operations	700					(5) 4,750	(5) 5,250	(1) 700	(1) 700
Credit Unions in their eighth year of operations	800						(5) 5,250	(5) 5,750	(1) 800
Credit Unions in their ninth year of operations	900							(5) 5,750	(5) 6,250
Credit Unions in their tenth year of operations	1,000								(5) 6,250
Total urban credit union membership:		<u>5,600</u>	<u>6,800</u>	<u>8,300</u>	<u>10,100</u>	<u>12,200</u>	<u>14,600</u>	<u>17,300</u>	<u>20,300</u>

NOTE:

The figures in parentheses refer to the number of credit unions that have been functioning for the number of years indicated in the column on the extreme left.

\* Based on membership of existing credit unions as of December 31, 1972. These credit unions were in existence prior to the initiation of the project.

TOTAL CREDIT UNION MEMBERSHIP, 1973 - 1980

Based on the assumptions and projections contained in Annexes 3 and 4, total credit union membership is expected to increase as follows:

TOTAL CREDIT UNION MEMBERSHIP GROWTH, 1973 - 1980

	<u>Total Number of Credit Union Members as of Jan. 1</u>	<u>Growth in Rural Credit Union Membership</u>	<u>Growth in Urban Credit Union Membership</u>	<u>Total Credit Union Membership as of Dec. 31</u>
1973	5,850	1,950	1,100	8,900
1974	8,900	2,700	1,200	12,800
1975	12,800	3,150	1,500	17,450
1976	17,450	3,450	1,800	22,700
1977	22,700	3,850	2,100	28,650
1978	28,650	3,600	2,400	34,650
1979	34,650	2,850	2,700	40,200
1980	40,200	1,900	3,000	45,100

PROJECTED FEDERATION INCOME AND EXPENSES, 1973 - 1980

	For 6 months ending Dec. 31, 1973	For 12 months ending Dec. 31, 1974	For 12 months ending Dec. 31, 1975	For 12 months ending Dec. 31, 1976	For 12 months ending Dec. 31, 1977	For 12 months ending Dec. 31, 1978	For 12 months ending Dec. 31, 1979	For 12 months ending Dec. 31, 1980
<b>Income</b>								
Interest earned on loans to credit unions for:								
Agricultural production purposes	-0-	\$ 420	\$35,970	\$ 67,362	\$109,440	\$162,318	\$225,296	\$297,644
Non-agricul. production purposes	-0-		541	2,251	4,980	9,457	16,519	26,231
Annual dues	-0-	750	1,822	2,550	3,337	4,305	5,340	6,495
Auditing revenues	\$ 90	540	630	1,000	1,000	2,400	2,400	2,400
Revenue from the Education Program	-0-	147	390	610	857	1,160	1,494	1,884
Interest on shares in CCLAC (3% beginning in 1977)	-0-	-0-	-0-	-0-	750	812	873	930
Other income (Commissions, bank interest, gain on sale of vehicles, etc.)	603	1,521	-0-	-0-	500	750	1,000	1,250
<b>Total Income:</b>	\$ 693	\$ 3,378	\$39,353	\$ 73,773	\$120,864	\$181,202	\$252,922	\$336,834
<b>Less: Total Expenses</b>	<u>24,037</u>	<u>54,399</u>	<u>81,193</u>	<u>104,924</u>	<u>128,680</u>	<u>161,264</u>	<u>223,719</u>	<u>292,099</u>
<b>Profit or (Loss) on Operations</b>	<u>(\$23,334)</u>	<u>(\$51,021)</u>	<u>(\$41,840)</u>	<u>(\$ 31,151)</u>	<u>(\$ 7,816)</u>	<u>\$ 19,938</u>	<u>\$ 29,203</u>	<u>\$ 44,735</u>
Dividends on shares (50%)						\$ 9,969	\$ 14,602	\$ 22,367
Patronage dividends (35%)						\$ 6,978	\$ 10,221	\$ 15,657
Education reserve (5%)						\$ 997	\$ 1,460	\$ 2,237
General reserve (10%)						\$ 1,996	\$ 2,920	\$ 4,474
<b>Amount of AID Subsidy:</b>	\$23,334	\$51,021	\$41,840	\$ 31,151	\$ 7,816	\$ -0-	\$ -0-	\$ -0-
AID subsidy as % of budget	100%	94%	52%	30%	6%	0%	0%	0%
Federation contribution to budget	0%	6%	48%	70%	94%	100%	100%	100%

TOTAL AMOUNT OF COMMISSION AND INTEREST INCOME RECEIVED BY THE FEDERATION  
FOR AGRICULTURAL PRODUCTION CREDIT LOANS TO RURAL CREDIT UNIONS, 1973-1980

Rural credit unions in their:	Interest paid by typical credit union	Period of Commission Income		I n t e r e s t I n c o m e P e r i o d											
				1975		1976		1977		1978		1979		1980	
		1973	1974	1975	1976	1977	1978	1979	1980	1975	1976	1977	1978	1979	1980
First year of operations	-0-	(6)	-0-	(6)	-0-	(6)	-0-	(6)	-0-	(7)	-0-	(0)	-0-	(0)	-0-
Second year of operations	\$258	(6)	-0-	(6)	-0-	(6) \$ 1,548	(6) \$ 1,548	(6) \$ 1,548	(7) \$ 1,806	(0)	-0-	(0)	-0-	(0)	-0-
Third year of operations	\$944	(3)	-0-	(6)	-0-	(6) 5,664	(6) 5,664	(6) 5,664	(6) 5,664	(7) \$ 6,608	(0)	-0-	(0)	-0-	
Fourth year of operations	\$2,636		(3)	-0-	(6) 15,816	(6) 15,816	(6) 15,816	(6) 15,816	(6) 15,816	(6) 15,816	(7) \$18,452				
Fifth year of operations	\$4,314			(3)	12,942	(6) 25,884	(6) 25,884	(6) 25,884	(6) 25,884	(6) 25,884	(6) 25,884	(6) 25,884	(6) 25,884	(6) 25,884	
Sixth year of operations	\$6,138					(3) 18,414	(6) 36,828	(6) 36,828	(6) 36,828	(6) 36,828	(6) 36,828	(6) 36,828	(6) 36,828	(6) 36,828	
Seventh year of operations	\$7,900						(3) 23,700	(6) 47,400	(6) 47,400	(6) 47,400	(6) 47,400	(6) 47,400	(6) 47,400	(6) 47,400	
Eighth year of operations	\$9,640							(3) 28,920	(6) 57,840	(6) 57,840	(6) 57,840	(6) 57,840	(6) 57,840	(6) 57,840	
Ninth year of operations	\$11,640								(3) 34,920	(6) 69,840	(6) 69,840	(6) 69,840	(6) 69,840	(6) 69,840	
Tenth year of operations	\$13,800									(3) 41,400	(6) 82,800	(6) 82,800	(6) 82,800	(6) 82,800	
<b>Total interest income</b>					<u>\$420</u>	<u>\$ 35,970</u>	<u>\$ 67,362</u>	<u>\$109,440</u>	<u>\$162,318</u>	<u>\$225,296</u>	<u>\$297,644</u>				
<b>Total commission income:</b>															
Loans granted rural credit unions by NBS		\$120,600	\$304,309												
4% for federation		x .57	x .57												
<b>Total commission income</b>		<u>\$ 603</u>	<u>\$ 1,521</u>												

NOTE:

The figures in parentheses refer to the number of credit unions that have been functioning for the number of years indicated in the column on the extreme left.

\* Interest earned by the Federation on loans made to affiliates totalling \$14,000.

INTEREST INCOME EARNED BY FEDERATION ON  
NON-AGRICULTURAL PRODUCTION CREDIT LOANS TO AFFILIATES  
1975 - 1980

Year	Total non-agri- cultural loans from federation outstanding on 12/31	Average Amount Outstanding					
		1975	1976	1977	1978	1979	1980
1975	\$ 13,534	\$ 6,767	\$ 6,767				
1976	\$ 42,733		21,366	\$ 21,367			
1977	\$ 81,779			40,889	\$ 40,890		
1978	\$ 154,645				77,322	\$ 77,323	
1979	\$ 258,322					129,161	\$ 129,161
1980	\$ 397,457						198,721
Average amount outstanding:		\$ 6,767	\$ 28,133	\$ 62,256	\$118,212	\$206,484	\$ 327,891
Interest rate charged by federation:		8%	8%	8%	8%	8%	8%
Interest income from non- agricultural production oriented loans:		\$ <u>541</u>	\$ <u>2,251</u>	\$ <u>4,980</u>	\$ <u>9,457</u>	\$ <u>16,519</u>	\$ <u>26,231</u>

FEDERATION DUES, AUDITING AND EDUCATION SEMINAR REVENUE, 1973 - 1980

Annex 6  
Page 1-c

	1973	1974	1975	1976	1977	1978	1979	1980
<b>1. Dues Income:</b>								
Number of members of credit unions which have been in operation more than 3 years	-0-	5,000	12,150	17,000	22,250	28,700	35,600	43,300
Dues per member		\$0.15	\$0.15	\$0.15	\$0.15	\$0.15	\$0.15	\$0.15
<b>Total Dues Income</b>		<u>\$750</u>	<u>\$1,822</u>	<u>\$2,550</u>	<u>\$3,337</u>	<u>\$4,305</u>	<u>\$5,340</u>	<u>\$6,495</u>
<b>2. Auditing Income:</b>								
Number of credit unions audited	5	30	35	40	40	60	60	60
Average charge per audit	\$18	\$18	\$18	\$25	\$25	\$40	\$40	\$40
<b>Total Auditing Income</b>	<u>\$90</u>	<u>\$540</u>	<u>\$630</u>	<u>\$1,000</u>	<u>\$1,000</u>	<u>\$2,400</u>	<u>\$2,400</u>	<u>\$2,400</u>
<b>3. Education Seminar Revenue*</b>								
		Cost of course per credit union						
Urban credit unions in operation for 4 years	\$30	(0)-0-	(5) \$150	(5) \$150	(1) \$ 30	(1) \$ 30	(3) \$ 90	(3) \$ 90
Rural credit unions in operation for 4 years	\$30	(0)-0-	(3) \$ 90	(6) \$180	(6) \$180	(6) \$180	(6) \$180	(7) \$210
Urban credit unions in operation for 5 years	\$35			(5) 175	(5) 175	(1) 35	(1) 35	(3) 105
Rural credit unions in operation for 5 years	\$35			(3) 105	(6) 210	(6) 210	(6) 210	(6) 210
Urban credit unions in operation for 6 years	\$40				(5) 200	(1) 40	(1) 40	(3) 120
Rural credit unions in operation for 6 years	\$40				(3) 120	(6) 240	(6) 240	(6) 240
Urban credit unions in operation for 7 years	\$45					(5) 225	(1) 45	(1) 45
Rural credit unions in operation for 7 years	\$45					(3) 135	(6) 270	(6) 270
Urban credit unions in operation for 8 years	\$50						(5) 250	(1) 50
Rural credit unions in operation for 8 years	\$50						(3) 150	(6) 300
Urban credit unions in operation for 9 years	\$55							(5) 275
Rural credit unions in operation for 9 years	\$55							(3) 165
Urban credit unions in operation for 10 years	\$60							(5) 300
Rural credit unions in operation for 10 years	\$60							(3) 180
<b>Urban total/Rural total**</b>	-0-	\$150/\$90	\$325/\$285	\$405/\$510	\$490/\$765	\$640/\$1,050	\$805/\$1,365	\$985/\$1,740
% of urban credit unions attending seminars	-0-	x 50%   x 80%	x 50%   x 80%	x 50%   x 80%	x 50%   x 80%	x 50%   x 80%	x 50%   x 80%	x 50%   x 80%
Income from: urban credit unions/rural credit unions	-0-	\$75 \$72	\$162 \$228	\$202 \$408	\$245 \$612	\$320 \$840	\$402 \$1,092	\$492 \$1,392
<b>Total Income from Education Seminars</b>	-0-	<u>\$147</u>	<u>\$390</u>	<u>\$610</u>	<u>\$857</u>	<u>\$1,160</u>	<u>\$1,494</u>	<u>\$1,884</u>

**NOTE:**  
 The figures in parentheses refer to the number of credit unions that have been functioning for the number of years indicated in the column on the extreme left.  
 \* Only credit unions which have been operating for at least 4 years will be required to pay part of the cost of these seminars.  
 \*\* These figures represent the amounts the Federation would earn if all credit unions over four years old attended the seminars each year. In fact, we estimate that, on an average, 50% of the urban credit unions and 80% of the rural ones will do so.

PROJECTED FEDERATION EXPENSES, 1975 - 1980

	For 6 months ending Dec. 31, 1973	For 12 months ending Dec. 31, 1974	For 12 months ending Dec. 31, 1975	For 12 months ending Dec. 31, 1976	For 12 months ending Dec. 31, 1977	For 12 months ending Dec. 31, 1978	For 12 months ending Dec. 31, 1979	For 12 months ending Dec. 31, 1980
<b>Expenses</b>								
Salaries (1)	\$10,810	\$26,508	\$35,262	\$ 39,881	\$ 44,254	\$ 48,849	\$ 51,294	\$ 53,857
Fringe benefits	2,468	6,048	8,048	9,111	10,111	11,151	11,675	12,302
Local transportation and per diem	2,667	5,159	5,556	5,556	5,556	6,349	6,349	6,349
Directors transportation and per diem	-0-	397	397	397	476	476	635	635
Vehicle maintenance	952	1,905	2,778	3,175	3,175	3,571	3,571	3,571
Insurance - vehicles	113	300	300	300	300	300	300	300
Office rent	952	2,048	2,381	2,381	2,857	2,857	3,175	3,175
Electricity	198	396	476	476	556	556	635	635
Telephone	317	635	794	794	952	952	1,032	1,032
Water	48	95	143	143	159	159	159	159
Communications/mail	60	119	143	143	159	159	198	198
Printed office materials	1,190	2,381	2,381	1,587	794	794	794	794
Depreciation - office equipment (2)	-0-	100	200	300	400	500	600	700
Depreciation - vehicles	-0-	-0-	-0-	-0-	700	1,050	1,400	1,705
Annual assembly	-0-	397	476	556	635	714	794	794
Education program	2,381	4,762	5,159	5,159	5,556	5,556	6,349	6,349
External audit	-0-	-0-	-0-	1,984	1,990	1,990	2,000	2,000
COLAC dues	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000
Bonding insurance	-0-	-0-	123	234	288	414	502	607
Miscellaneous expenses	881	2,063	2,603	2,857	3,127	3,444	3,651	3,810
Interest on non-AID loan (7%)	-0-	-0-	-0-	-0-	-0-	6,435	33,194	106,362
Interest on AID loan (2%)	-0-	-0-	6,419	17,441	27,870	38,179	40,000	40,000
Bad debt expense - agricultural loans (1%)	-0-	86	6,419	11,022	16,947	24,263	32,641	41,790
Bad debt expense - non-agricultural loans (1%)	-0-	-0-	135	427	818	1,546	2,383	3,975
<b>Total Expenses</b>	<b><u>\$24,037</u></b>	<b><u>\$54,399</u></b>	<b><u>\$81,193</u></b>	<b><u>\$104,924</u></b>	<b><u>\$128,680</u></b>	<b><u>\$161,264</u></b>	<b><u>\$204,511</u></b>	<b><u>\$292,099</u></b>

FOOTNOTES TO ANNEX 6, PAGE 2

(1) Federation Personnel, 1973 - 1980

	<u>1973</u>	<u>1974</u>	<u>1975</u>	<u>1976</u>	<u>1977</u>	<u>1978</u>	<u>1979</u>	<u>1980</u>
Manager	1	1	1	1	1	1	1	1
Assistant Manager	0	0	0	1	1	1	1	1
Bookkeeper	0	0	1	1	1	1	1	1
Secretaries	2	2	3	3	3	3	3	3
Janitor	1	1	1	1	1	1	1	1
Chief - Promotion Dept.	0	1	1	1	1	1	1	1
Promotion Specialists	3	3	3	3	3	3	3	3
Accountant/Auditor	2	2	2	2	2	3	3	3
Education Specialist	1	2	2	2	2	2	2	2
Finance Specialists*	1	1	2	2	2	2	2	2
Agronomists**	5	5	5	5	6	6	6	6

\* During 1973 and 1974 this finance specialist will be an employee of the National Development Bank, paid by that institutions.

\*\* At all times during this 8-year period, five of the agronomists will be employees of the Agriculture Ministry, paid by that institution.

(2) This account does not reflect the depreciation of AID-donated office equipment or of AID-donated vehicles as these materials will be placed on the books at the nominal value of \$1.00 a piece.

INTEREST EXPENSE PAID BY THE FEDERATION, 1975 - 1980

Year	Total drawn down on AID loan - 12/31	Total drawn down on other loan - 12/31	1975	1976	1977	1978	1979	1980
			1975	\$641,877		\$320,938	\$320,939	
1976	\$1,302,236			351,118	\$ 351,118			
1977	\$1,584,736				842,368	\$ 842,368		
1978	\$2,000,000 <sup>(1)</sup>	\$368,236 <sup>(2)</sup>				1,066,386 91,934	\$ 923,414 274,482	
1979	\$2,000,000 <sup>(1)</sup>	\$1,267,136 <sup>(2)</sup>					1,066,386 436,187	\$ 923,414 672,939
1980	\$2,000,000 <sup>(1)</sup>	\$1,977,628 <sup>(2)</sup>						1,066,386 865,319
Average amount of AID loan outstanding: a 2% (interest) and interest and AID			\$320,938	\$672,057	\$1,391,486	\$1,918,934	\$2,000,000	\$2,000,000
Average amount of other loan outstanding: a 7% (interest) interest and interest and other lending institution						\$ 91,934	\$ 368,236	\$1,302,236

- (1) In 1978 the \$2,000,000 AID loan is to be evenly distributed before any draw-downs are made on the other loan, then in later years distributed as repayments are made.
- (2) The other loan will make up the difference in the amount needed and the amount available in the last months of 1978; then in later years, since monthly repayments of the AID loan will not suffice to meet the loan demand, it will meet this deficit as well.

PROJECTED FEDERATION BALANCE SHEET, 1973 - 1980

	Dec. 31, 1973	Dec. 31, 1974	Dec. 31, 1975	Dec. 31, 1976	Dec. 31, 1977	Dec. 31, 1978	Dec. 31, 1979	Dec. 31, 1980
<b>Assets</b>								
<b>Current Assets</b>								
Cash	\$11,253	\$ 1,772	\$ 14,683	\$ 30,737	\$ 50,163	\$ 51,543	\$ 74,689	\$ 76,419
Loans receivable		14,000	655,411	1,144,969	1,776,515	2,580,981	3,520,459	4,576,496
Interest receivable		420	36,241	68,488	111,930	167,007	233,396	310,780
Office supplies	100	150	200	250	500	1,000	1,200	1,400
<b>Investments</b>								
CCLAC shares	1,000	2,500	8,000	18,000	25,000	27,000	29,000	31,000
<b>Long Term Assets</b>								
Office equipment	25 <sup>(1)</sup>	1,025	2,025	3,025	4,025	5,025	6,025	7,025
(Less: Accumulated depreciation)	-0-	(100)	(300)	(600)	(1,000)	(1,500)	(2,100)	(2,800)
Vehicles <sup>(2)</sup>	4	4	4	4	7,004 <sup>(4)</sup>	10,503 <sup>(4)</sup>	14,002 <sup>(4)</sup>	17,501 <sup>(4)</sup>
(Less: Accumulated depreciation)					(700)	(1,750)	(3,150)	(4,900)
<b>Total Assets</b>	<b><u>\$12,382</u></b>	<b><u>\$19,771</u></b>	<b><u>\$716,264</u></b>	<b><u>\$1,264,873</u></b>	<b><u>\$1,973,437</u></b>	<b><u>\$2,839,899</u></b>	<b><u>\$3,873,681</u></b>	<b><u>\$5,012,901</u></b>
<b>Liabilities</b>								
Interest payable			\$ 6,419	\$ 17,441	\$ 27,870	\$ 44,614	\$ 73,196	\$ 163,115
Loans payable			<u>661,877</u>	<u>1,102,236</u>	<u>1,684,736</u>	<u>2,366,336</u>	<u>3,167,136</u>	<u>3,907,620</u>
<b>Total Liabilities</b>			<b><u>\$668,296</u></b>	<b><u>\$1,119,677</u></b>	<b><u>\$1,712,606</u></b>	<b><u>\$2,410,950</u></b>	<b><u>\$3,220,330</u></b>	<b><u>\$4,070,735</u></b>
<b>Capital</b>								
Share capital	\$12,353	\$19,602	\$ 61,315	\$ 130,370	\$ 233,965	\$ 382,076	\$ 580,839	\$ 836,223
General reserve						1,994	4,914	9,388
Education reserve						997 <sup>(5)</sup>	1,507 <sup>(5)</sup>	2,303
Bad debt reserve <sup>(3)</sup>		140	6,624	14,797	26,837	43,764	66,064	94,226
Donations	29	29	29	29	29	28	27	26
<b>Total Capital</b>	<b><u>\$12,382</u></b>	<b><u>\$19,771</u></b>	<b><u>\$ 67,968</u></b>	<b><u>\$ 14 ,196</u></b>	<b><u>\$ 260,831</u></b>	<b><u>\$ 428,859</u></b>	<b><u>\$ 653,351</u></b>	<b><u>\$ 942,166</u></b>
<b>Total: Liabilities and Capital</b>	<b><u>\$12,382</u></b>	<b><u>\$19,771</u></b>	<b><u>\$716,264</u></b>	<b><u>\$1,264,873</u></b>	<b><u>\$1,973,437</u></b>	<b><u>\$2,839,899</u></b>	<b><u>\$3,873,681</u></b>	<b><u>\$5,012,901</u></b>

(1) Office equipment donated by AID, brought on the books at the nominal rate of \$1 per item.

(2) Vehicles donated by AID, brought on the books at the nominal value of \$1 per vehicle.

(3) Bad Debt Reserve increases by 1% of outstanding loans each year as a charge for that amount is made to Bad Debt Expense and decreases by 1/2 of the previous year's Bad Debt Expense, as that is the estimate of uncollectable loans.

(4) Two new \$3,500 vehicles are to be purchased in 1977, one in 1978, 1979 and 1980. One old vehicle is to be disposed of in 1978, one in 1979 and one in 1980.

(5) \$950 is to be spent out of this account in 1979 and \$1,441 in 1980.

CAPITALIZATION OF THE FEDERATION BY ALL CREDIT UNIONS, 1973 - 1980

	1973	1974	1975	1976	1977	1978	1979	1980
<b>1. Annual Capitalization of Credit Union Savings:</b>								
Increase in savings - rural credit unions:	\$109,143	\$132,749	\$200,021	\$ 280,330	\$ 378,952	\$ 485,086	\$ 580,912	\$ 676,656
plus:								
Increase in savings - urban credit unions:	<u>384,987</u>	<u>129,208</u>	<u>157,700</u>	<u>191,900</u>	<u>231,800</u>	<u>277,400</u>	<u>328,700</u>	<u>385,700</u>
equals:								
Total savings increase	\$494,130 <sup>(1)</sup>	\$261,949	\$357,721	\$ 472,230	\$ 610,752	\$ 762,486	\$ 909,612	\$1,062,356
multiplied by:								
The rate of capitalization (2.5%)	<u>2.5%</u>	<u>2.5%</u>	<u>2.5%</u>	<u>2.5%</u>	<u>2.5%</u>	<u>2.5%</u>	<u>2.5%</u>	<u>2.5%</u>
<b>Annual Capitalization of Credit Union Savings:</b>	<u>\$ 12,353</u>	<u>\$ 6,549</u>	<u>\$ 8,943</u>	<u>\$ 11,806</u>	<u>\$ 15,269</u>	<u>\$ 19,062</u>	<u>\$ 22,740</u>	<u>\$ 26,559</u>
<b>2. Capitalization of Federation Loans to:</b>								
<b>(a) Rural Credit Unions for Agricultural Production:</b>								
Total loans to rural credit unions for agricultural production:	-0-	\$ 14,000 <sup>(2)</sup>	\$641,877	\$1,102,236	\$1,684,736	\$2,426,336	\$3,262,136	\$4,179,039
multiplied by:								
Required capitalization rate (5%)		<u>5%</u>	<u>5%</u>	<u>5%</u>	<u>5%</u>	<u>5%</u>	<u>5%</u>	<u>5%</u>
equals:								
Capitalization of Loans to Rural Credit Unions:	-0-	<u>\$ 700</u>	<u>\$ 32,093</u>	<u>\$ 55,112</u>	<u>\$ 84,237</u>	<u>\$ 121,317</u>	<u>\$ 163,107</u>	<u>\$ 208,932</u>
<b>(b) Urban Credit Unions for Production Oriented Loans:</b>								
Total loans to urban credit unions:	-0-	-0-	\$ 13,534 <sup>(3)</sup>	\$ 42,733 <sup>(3)</sup>	\$ 81,779 <sup>(3)</sup>	\$ 154,645 <sup>(3)</sup>	\$ 258,323 <sup>(3)</sup>	\$ 397,457 <sup>(3)</sup>
multiplied by:								
Required capitalization rate (5%)			<u>5%</u>	<u>5%</u>	<u>5%</u>	<u>5%</u>	<u>5%</u>	<u>5%</u>
equals:								
Capitalization of Loans to Urban Credit Unions:	-0-	-0-	<u>\$ 677</u>	<u>\$ 2,137</u>	<u>\$ 4,089</u>	<u>\$ 7,732</u>	<u>\$ 12,916</u>	<u>\$ 19,873</u>
<b>3. Total Annual Capitalization of Federation:</b>	<u>\$ 12,353</u>	<u>\$ 7,249</u>	<u>\$ 41,713</u>	<u>\$ 69,055</u>	<u>\$ 103,595</u>	<u>\$ 148,111</u>	<u>\$ 198,763</u>	<u>\$ 255,389</u>
<b>4. Accumulated Capitalization of Federation:</b>	<u>\$ 12,353</u>	<u>\$ 19,822</u>	<u>\$ 61,315</u>	<u>\$ 130,370</u>	<u>\$ 233,965</u>	<u>\$ 382,076</u>	<u>\$ 580,839</u>	<u>\$ 836,223</u>

(1) Total accumulated savings as of 12/31/73

(2) Funds entirely provided out of COLAC's own capital.

(3) These amounts represent approximately two-thirds of the amount in the share capital account as of January 1. Part of the remaining third is to be used for agricultural production loans and part is to be used for the purchase of shares in COLAC and general liquidity.

PROJECTED FEDERATION SOURCES AND USES OF FUNDS, 1973 - 1980

	1973	1974	1975	1976	1977	1978	1979	1980
<b>Sources of Funds</b>								
Interest payable	-0-	-0-	\$ 6,419	\$ 11,022	\$ 10,429	\$ 16,744	\$ 28,580	\$ 89,921
Borrowed funds	-0-	-0-	641,877	460,359	582,500	681,600	780,800	760,484
Share capital	\$12,353	\$7,249	41,713	69,055	103,595	148,111	198,763	255,384
General reserve	-0-	-0-	-0-	-0-	-0-	1,994	2,920	4,474
Education reserve	-0-	-0-	-0-	-0-	-0-	997	510	796
Bad debt reserve	-0-	140	6,484	8,173	12,040	16,927	22,300	28,162
Donations	29	-0-	-0-	-0-	-0-	-0-	-0-	-0-
	<u>\$12,382</u>	<u>\$7,389</u>	<u>\$696,493</u>	<u>\$548,609</u>	<u>\$708,564</u>	<u>\$866,373</u>	<u>\$1,033,873</u>	<u>\$1,139,221</u>
<b>Uses of Funds</b>								
Cash	\$11,253	\$(9,481)	\$ 12,911	\$ 16,054	\$ 19,426	\$ 1,381	\$ 23,147	\$ 1,731
Loans receivable	-0-	14,000	641,411	489,558	631,546	804,466	939,478	1,056,037
Interest receivable	-0-	420	35,821	32,247	43,442	55,077	66,549	77,204
Office supplies	100	50	50	50	250	500	200	200
Investment - COLAC	1,000	1,500	5,500	10,000	7,000	2,000	2,000	2,000
Office equipment*	25	900	800	700	600	500	400	300
Vehicles*	4	-0-	-0-	-0-	6,300	2,449	2,099	1,749
	<u>\$12,382</u>	<u>\$ 7,389</u>	<u>\$696,493</u>	<u>\$548,609</u>	<u>\$708,564</u>	<u>\$866,373</u>	<u>\$1,033,873</u>	<u>\$1,139,221</u>
* Net of depreciation								

**PERCENTAGE OF CREDIT UNIONS THAT  
HAVE THEIR ACCOUNTING UP-TO-DATE**

Compliance with this indicator will be judged by reviewing a credit union's Quarterly Reports and by field visits to the credit unions itself.

A credit union will be considered to have its accounting up to date if the monthly accounting process is completed all the way through posting to the general ledger within ten days of the end of the month.

**QUARTERLY REPORTS**

**A credit union will be considered to have sent its quarterly reports in on time for a given year if the four reports have arrived within an average of one month of the close of each quarter.**

**Some of the information that will be required in the quarterly report is:**

- 1) A trial balance**
- 2) Membership**
- 3) Savings**
- 4) Loans outstanding**
- 5) Accumulated loans**
- 6) Loan use, by amount and number**
- 7) Aging of delinquent accounts**
- 8) Number of farmer members**
- 9) Number of hectares financed with production loans**

**Since few volunteer treasurer/managers have the time or ability to fill out an entire quarterly report, the rate of compliance with this indicator will be closely tied to the percentage of credit unions that have full-time paid managers.**

**PERCENT OF CREDIT UNIONS WITH FULL-TIME, PAID MANAGERS**

A credit union will be considered to have a full-time, paid manager when it employs someone who has received adequate training from the federation and who dedicates at least 40 hours per week to administering the institution.

As long as there are newly organized credit unions which are economically unable to support a full-time manager, it will not be possible to achieve 100% compliance with this indicators. It is expected, however, that by 1978, 33 of the 40 rural credit unions will have a full-time manager and by 1979 all forty credit unions will have achieved this target.

Due to the fact that urban credit unions will not capitalize as fast as their rural counterparts and will receive less technical assistance from the federation, they are expected to lag somewhat behind in complying with this indicator.

RURAL CREDIT UNION SAVINGS

ASSUMPTIONS:

(1) Every new farmer member in a rural credit union will save approximately \$24 in the first year of his membership after paying an initiation fee of \$2.38 (Gs.300).

(2) Every farmer member will capitalize 10% of each production oriented loan he takes from the credit union. (See Annex 13 for a description of how the figure for total rural credit union loans was established).

(3) Each farmer member, who does not receive a loan during a given year, will capitalize through normal savings approximately \$8 during that time.

(4) Each non-farmer member will save approximately \$16 per year whether or not he receives a loan from the credit union.

(5) Rural membership will grow as projected in Annex 3.

PROJECTIONS:

TOTAL RURAL CREDIT UNION SAVINGS, 1973-1980

	<u>Total Rural Credit Union Savings as of Jan. 1</u>	<u>Additional Savings Made during this Year</u>	<u>Total Rural Credit Union Savings as of Dec. 31</u>
1973		\$ 75,000	\$ 75,000
1974	\$ 75,000	\$ 132,749	\$ 207,749
1975	\$207,749	\$ 200,021	\$ 407,770
1976	\$ 407,770	\$ 280,330	\$ 688,100
1977	\$ 688,100	\$ 378,952	\$ 1,067,052
1978	\$ 1,067,052	\$ 485,036	\$ 1,552,138
1979	\$ 1,552,138	\$ 580,912	\$ 2,133,050
1980	\$ 2,133,050	\$ 676,656	\$ 2,809,706

TOTAL AMOUNT OF SAVINGS IN RURAL CREDIT UNIONS,  
1973 - 1980

Source	1972	1973	1974	1975	1976	1977	1978	1979	1980
1. First year savings of farmer/members	\$	\$ 27,360	\$ 41,760	\$ 50,760	\$ 57,240	\$ 64,200	\$ 69,960	\$ 57,600	\$ 39,300
2. Annual savings of non-borrowing farmer/members		5,688	10,104	13,944	17,280	20,720	24,200	24,760	22,720
3. Capitalization of production credit loans to farmer/members *		15,552	39,125	76,997	130,450	199,872	285,806	386,232	498,096
4. Annual savings of non-farmer/members		26,400	41,760	58,320	75,360	94,160	105,120	112,320	116,480
Total annual savings in rural credit unions	\$	<u>75,000</u>	<u>132,749</u>	<u>200,021</u>	<u>280,330</u>	<u>378,952</u>	<u>485,086</u>	<u>580,912</u>	<u>676,656</u>
Accumulated savings in rural credit unions	\$	<u>34,143</u> *	<u>75,000</u>	<u>207,749</u>	<u>407,770</u>	<u>688,100</u>	<u>1,067,852</u>	<u>1,552,138</u>	<u>2,133,050</u>

\* This amount is included in the subsequent year figures.

TOTAL SAVINGS OF FARMER/MEMBERS IN THEIR FIRST YEAR OF MEMBERSHIP  
IN RURAL CREDIT UNIONS, 1973 - 1980

	A* x B*	C*	1973	1974	1975	1976	1977	1978	1979	1980
Credit Unions in their first year of operations	20 x \$ 24 = \$ 480	(6) \$ 2,880	(6) \$ 2,880	(6) \$ 2,880	(6) \$ 2,880	(6) \$ 2,880	(7) \$ 3,360			
Credit Unions in their second year of operations	110 x \$ 24 = \$ 2,640	(6) 15,840	(6) 15,840	(6) 15,840	(6) 15,840	(6) 15,840	(6) 15,840	(7) \$ 18,480		
Credit Unions in their third year of operations	120 x \$ 24 = \$ 2,880	(3) 8,640	(6) 17,280	(6) 17,280	(6) 17,280	(6) 17,280	(6) 17,280	(6) 17,280	(7) \$ 20,160	
Credit Unions in their fourth year of operations	80 x \$ 24 = \$ 1,920		(3) 5,760	(6) 11,520	(6) 11,520	(6) 11,520	(6) 11,520	(6) 11,520	(6) 11,520	(7) \$ 13,440
Credit Unions in their fifth year of operations	45 x \$ 24 = \$ 1,080			(3) 3,240	(6) 6,480	(6) 6,480	(6) 6,480	(6) 6,480	(6) 6,480	(6) 6,480
Credit Unions in their sixth year of operations	45 x \$ 24 = \$ 1,080				(3) 3,240	(6) 6,480	(6) 6,480	(6) 6,480	(6) 6,480	(6) 6,480
Credit Unions in their seventh year of operations	45 x \$ 24 = \$ 1,080					(3) 3,240	(6) 6,480	(6) 6,480	(6) 6,480	(6) 6,480
Credit Unions in their eighth year of operations	45 x \$ 24 = \$ 1,080						(3) 3,240	(6) 6,480	(6) 6,480	(6) 6,480
Credit Unions in their ninth year of operations	0 x \$ 24 = -0-								(3) -0-	(6) -0-
Credit Unions in their tenth year of operations	0 x \$ 24 = -0-									(3) -0-
<b>TOTAL</b>			<u>\$ 27,360</u>	<u>\$41,760</u>	<u>\$20,760</u>	<u>\$57,240</u>	<u>\$64,200</u>	<u>\$ 69,960</u>	<u>\$ 57,600</u>	<u>\$ 39,360</u>

NOTE:  
The figures in parentheses refer to the number of credit unions that have been functioning for the number of years indicated in the column on the extreme left.

A = New farmer/members

B = Average first year savings of farmer/members

C = Amount saved by farmer/members in their first year of membership in rural credit unions which have been operating for the number of years indicated in the column on the extreme left.

TOTAL NUMBER OF NON-BORROWING FARMER/MEMBERS  
IN RURAL CREDIT UNIONS & TOTAL AMOUNT OF THEIR ANNUAL SAVINGS  
1973 - 1980

Annex 10  
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	Number of non-borrowing farmer/members per rural credit union	1973	1974	1975	1976	1977	1978	1979	1980
Credit Unions in their first year of operations	10	(6) 60	(6) 60	(6) 60	(6) 60	(7) 70	(0) -0-	(0) -0-	(0) -0-
Credit Unions in their second year of operations	61	(6) 366	(6) 366	(6) 366	(6) 366	(6) 366	(7) 427	(0) -0-	(0) -0-
Credit Unions in their third year of operations	95	(3) 285	(6) 570	(6) 570	(6) 570	(6) 570	(6) 570	(7) 665	(0) -0-
Credit Unions in their fourth year of operations	89		(3) 267	(6) 534	(6) 534	(6) 534	(6) 534	(6) 534	(7) 623
Credit Unions in their fifth year of operations	71			(3) 213	(6) 426	(6) 426	(6) 426	(6) 426	(6) 426
Credit Unions in their sixth year of operations	68				(3) 204	(6) 408	(6) 408	(6) 408	(6) 408
Credit Unions in their seventh year of operations	72					(7) 216	(6) 432	(6) 432	(6) 432
Credit Unions in their eighth year of operations	76						(3) 228	(6) 456	(6) 456
Credit Unions in their ninth year of operations	58							(3) 174	(6) 348
Credit Unions in their tenth year of operations	49								(3) 147
Annual total of non- borrowing farmer/members		711	1,263	1,743	2,160	2,590	3,025	3,095	2,840
Annual average savings of non-borrowing farmer/members		\$ 8	\$ 8	\$ 8	\$ 8	\$ 8	\$ 8	\$ 8	\$ 8
Annual total saved by the non-borrowing farmer/members		<u>\$ 5,688</u>	<u>\$ 10,104</u>	<u>\$ 13,944</u>	<u>\$ 17,280</u>	<u>\$ 20,720</u>	<u>\$ 24,200</u>	<u>\$ 24,760</u>	<u>\$ 22,720</u>

NOTE: The figures in parentheses refer to the number of credit unions that have been functioning for the number of years indicated in the column on the extreme

**NUMBER OF FARMER/MEMBERS WHO DO AND WHO DO NOT BORROW EACH YEAR FOR PRODUCTION CREDIT PURPOSES  
FROM A TYPICAL RURAL CREDIT UNION DURING ITS FIRST 10 YEARS OF OPERATIONS**

Annex 10  
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Total number of new farmer/members	Number of farmer/members borrowing in their:	First year of credit union operations	Second year of credit union operations	Third year of credit union operations	Fourth year of credit union operations	Fifth year of credit union operations	Sixth year of credit union operations	Seventh year of credit union operations	Eighth year of credit union operations	Ninth year of credit union operations	Tenth year of credit union operations
20	First year of operations with the credit union	10	14	18	18	18	18	18	18	18	18
110	Second year of operations with the credit union		55	77	99	99	99	99	99	99	99
130	Third year of operations with the credit union			60	84	108	108	108	108	108	108
80	Fourth year of operations with the credit union				40	56	72	72	72	72	72
45	Fifth year of operations with the credit union					23	32	41	41	41	41
45	Sixth year of operations with the credit union						23	32	41	41	41
45	Seventh year of operations with the credit union							23	32	41	41
45	Eighth year of operations with the credit union								23	32	41
0	Ninth year of operations with the credit union									0	0
0	Tenth year of operations with the credit union										0
	Number of farmer/members with loans	<u>10</u>	<u>69</u>	<u>155</u>	<u>241</u>	<u>304</u>	<u>332</u>	<u>393</u>	<u>434</u>	<u>452</u>	<u>461</u>
	Total number of farmer/members	20	130	250	330	375	420	465	510	510	510
	Total number of non-borrowing farmer/members	<u>10</u>	<u>61</u>	<u>95</u>	<u>89</u>	<u>71</u>	<u>68</u>	<u>72</u>	<u>76</u>	<u>58</u>	<u>49</u>

TOTAL AMOUNT OF PRODUCTION CREDIT LOANS CAPITALIZED IN ALL RURAL CREDIT UNIONS, 1973 - 1980

	1973	1974	1975	1976	1977	1978	1979	1980
1. Total production credit loans including 10% capitalization <sup>(1)</sup>	\$171,072	\$430,371	\$846,963	\$1,434,945	\$2,198,592	\$3,143,870	\$4,248,548	\$5,479,034
2. Times: .909090 <sup>(2)</sup>	.909090	.909090	.909090	.909090	.909090	.909090	.909090	.909090
3. Equals: Total production credit loans excluding capitalization	<u>155,520</u>	<u>391,246</u>	<u>769,966</u>	<u>1,304,495</u>	<u>1,998,720</u>	<u>2,858,064</u>	<u>3,862,316</u>	<u>4,990,938</u>
4. Total capitalization (Line 1 minus line 3)	<u>\$ 15,552</u>	<u>\$ 39,125</u>	<u>\$ 76,997</u>	<u>\$ 130,450</u>	<u>\$ 199,872</u>	<u>\$ 285,806</u>	<u>\$ 386,232</u>	<u>\$ 488,096</u>

<sup>(1)</sup> See Annex 13, Page 2-a

<sup>(2)</sup> Factor used to determine the total of production credit loans excluding capitalization (100 ÷ 110 = .909090).

TOTAL SAVINGS OF NON-FARMER/MEMBERS OF ALL RURAL CREDIT UNIONS, 1973 - 1980

	Average amount saved by non-farmer members per year per rural credit union	1973	1974	1975	1976	1977	1978	1979	1980
Credit unions in their first year of operations	\$1,280	(6) \$ 7,680	(6) \$7,680	(6) \$ 7,680	(6) \$ 7,680	(7) \$ 8,960	(8) ---	(8) ---	(8) ---
Credit unions in their second year of operations	\$1,920	(6) 11,520	(6) 11,520	(6) 11,520	(6) 11,520	(6) 11,520	(7) \$13,440	(8) ---	(8) ---
Credit unions in their third year of operations	\$2,400	(3) 7,200	(6) 14,400	(6) 14,400	(6) 14,400	(6) 14,400	(6) 14,400	(7) \$16,800	(8) ---
Credit unions in their fourth year of operations	\$2,720		(3) 8,160	(6) 16,320	(6) 16,320	(6) 16,320	(6) 16,320	(6) 16,320	(7) \$19,840
Credit unions in their fifth year of operations	\$2,800			(3) 8,400	(6) 16,800	(6) 16,800	(6) 16,800	(6) 16,800	(6) 16,800
Credit unions in their sixth year of operations	\$2,880				(3) 8,640	(6) 17,280	(6) 17,280	(6) 17,280	(6) 17,280
Credit unions in their seventh year of operations	\$2,960					(3) 8,880	(6) 17,760	(6) 17,760	(6) 17,760
Credit unions in their eighth year of operations	\$3,040						(3) 9,120	(6) 18,240	(6) 18,240
Credit unions in their ninth year of operations	\$3,040							(3) 9,120	(6) 18,240
Credit unions in their tenth year of operations	\$3,040								(3) 9,120
Total per-year savings of non-farmer members of rural credit unions:		<u>\$26,400*</u>	<u>\$41,760</u>	<u>\$58,320</u>	<u>\$75,360</u>	<u>\$94,160</u>	<u>\$105,120</u>	<u>\$112,320</u>	<u>\$116,480</u>

**NOTE:**  
The figures in parentheses refer to the number of credit unions that have been functioning for the number of years indicated in the column on the extreme left.

\* Actual data from existing credit unions.

**SAVINGS OF NON-FARMER/MEMBERS IN A TYPICAL RURAL CREDIT UNION**  
From Its First to Tenth Year of Operations

No. of years since operation began	Total number of non-farmer/members to report a profit margin	Average annual savings per non-farmer/member	Non-farmer/number savings in first year of operations	Non-farmer/number savings in second year of operations	Non-farmer/number savings in third year of operations	Non-farmer/number savings in fourth year of operations	Non-farmer/number savings in fifth year of operations	Non-farmer/number savings in sixth year of operations	Non-farmer/number savings in seventh year of operations	Non-farmer/number savings in eighth year of operations	Non-farmer/number savings in ninth year of operations	Non-farmer/number savings in tenth year of operations
1 yr.	50	0.100	\$1,000									
2 yrs.	50	0.120		\$1,200								
3 yrs.	50	0.140			\$1,400							
4 yrs.	50	0.160				\$1,600						
5 yrs.	50	0.180					\$1,800					
6 yrs.	50	0.200						\$2,000				
7 yrs.	50	0.220							\$2,200			
8 yrs.	50	0.240								\$2,400		
9 yrs.	50	0.260									\$2,600	
10 yrs.	50	0.280										\$2,800
Total savings of non-farmer/members in a typical rural credit union			\$1,000	\$1,200	\$1,400	\$1,600	\$1,800	\$2,000	\$2,200	\$2,400	\$2,600	\$2,800
Average savings per non-farmer/member			0.100	0.120	0.140	0.160	0.180	0.200	0.220	0.240	0.260	0.280

TOTAL URBAN CREDIT UNION SAVINGS

ASSUMPTIONS:

(1) Each urban credit union member will save approximately \$19 per year.

(2) Urban membership growth will take plan as projected in Annex 4.

(3) Actual urban credit union savings as of Dec. 31 1972 were \$278,587.

PROJECTIONS:

TOTAL URBAN CREDIT UNION SAVINGS, 1973-1980

	<u>Total Urban Credit Union Savings as of Jan. 1</u>	<u>Net Savings Added During the Year</u>	<u>Total Urban Credit Union Savings as of Dec. 31</u>
1973	\$ 278,587	\$ 106,400	\$ 384,987
1974	\$ 384,987	\$ 129,200	\$ 514,187
1975	\$ 514,187	\$ 157,700	\$ 671,887
1976	\$ 671,887	\$ 191,900	\$ 863,787
1977	\$ 863,787	\$ 231,800	\$ 1,095,587
1978	\$ 1,095,587	\$ 277,400	\$ 1,372,987
1979	\$ 1,372,987	\$ 328,700	\$ 1,701,687
1980	\$ 1,701,687	\$ 385,700	\$ 2,087,387

PROJECTED GROWTH IN SAVINGS IN URBAN CREDIT UNIONS, 1973 - 1980

	Number of Urban Credit Union Members*	x	Average Annual Savings per Member	=	Annual Increase in Savings	Accumulated Savings
Accumulated savings as of Dec. 31, 1972						\$ 278,587
Accumulated savings as of Dec. 31, 1973	5,600	x	\$19	=	\$106,400	\$ 384,987
Accumulated savings as of Dec. 31, 1974	6,800	x	\$19	=	\$129,200	\$ 514,187
Accumulated savings as of Dec. 31, 1975	8,300	x	\$19	=	\$157,700	\$ 671,887
Accumulated savings as of Dec. 31, 1976	10,100	x	\$19	=	\$191,900	\$ 863,787
Accumulated savings as of Dec. 31, 1977	12,200	x	\$19	=	\$231,800	\$1,095,587
Accumulated savings as of Dec. 31, 1978	14,600	x	\$19	=	\$277,400	\$1,372,987
Accumulated savings as of Dec. 31, 1979	17,300	x	\$19	=	\$328,700	\$1,701,687
Accumulated savings as of Dec. 31, 1980	20,300	-	\$19	=	\$385,700	\$2,087,387

\* See the 2nd chart on Page 2 of Annex 4

TOTAL CREDIT UNION SAVINGS

ASSUMPTIONS:

(1) Total rural credit unions savings will grow as projected in Annex 10.

(2) Total urban credit unions savings will grow as projected in Annex 11.

PROJECTIONS:

TOTAL CREDIT UNIONS SAVINGS, 1973-1980

	<u>Total Credit Union Savings as of Jan. 1</u>	<u>New Rural Credit Union Savings</u>	<u>New Urban Credit Union Savings</u>	<u>Total Credit Union Savings as of Dec. 31</u>
1973	\$ 312,730	\$ 75,000	\$ 106,400	\$ 494,130
1974	\$ 494,130	\$ 132,749	\$ 129,200	\$ 756,079
1975	\$ 756,079	\$ 200,021	\$ 157,700	\$ 1,113,800
1976	\$1,113,800	\$ 280,330	\$ 191,900	\$ 1,586,030
1977	\$1,586,030	\$ 372,952	\$ 231,800	\$ 2,196,782
1978	\$2,196,782	\$ 485,086	\$ 277,400	\$ 2,959,268
1979	\$2,959,268	\$ 580,912	\$ 328,700	\$ 3,868,880
1980	\$3,868,880	\$ 676,656	\$ 385,700	\$ 4,931,236

RURAL CREDIT UNION LOANS

ASSUMPTIONS:

(1) During the first year of a rural credit union's existence, 50% of the 20 farmer members will take out agricultural production oriented loans.

(2) In the second year of its operations, 70% of the original 20 farmer members and 50% of the 110 new farmer members will take out production loans.

(3) In the third year of operations of a rural credit union 90% of the original members, 70% of the second year members and 50% of the newest farmer members will take out loans for agricultural production purposes.

(4) In all following years 50% of new members, 70% of the members that joined the year before and 90% of all those that had joined previously to that year will take out agricultural production loans.

(5) Each loan will be for approximately \$96 per hectare financed. (\$80 for land preparation and care, and harvesting, and \$16 for light farm equipment such as insecticide sprayers, hoes, etc.). In addition to this \$96, the farmer's loan will be increased by 10%, which when repaid will go to his share account.

(6) The number of hectares financed per person, per credit union and in the entire program will grow as projected in Annex 18.

(7) It should be noted that the projections for loans to non-farmer members of rural credit unions were based on an assumption that such members would not take out loans from the credit union's savings during the first year of operation. This assumption is essentially unrealistic, as the non-farmer members will be permitted to borrow from savings during the first year of operation. Since savings are projected to be \$1,760 for the first year, any non-farmer first year borrowing would not be large enough to have a significant impact on the overall financial projection or on the progress of the project.

(8) Non-farmer savings will grow as projected in Annex 10.

(9) All loans will be for approximately 12 months.

**PROJECTIONS:**

**RURAL CREDIT UNION LOANS, MADE DURING THE YEAR 1973-1980**

	<b><u>Agricultural Production Credit Loans</u></b>	<b><u>Loans to Non-Farmer Members</u></b>	<b><u>Total Loans For Year</u></b>
1973	\$ 171,072	\$ 33,480	\$ 204,552
1974	\$ 430,371	\$ 68,976	\$ 499,347
1975	\$ 846,963	\$ 118,548	\$ 965,511
1976	\$ 1,434,945	\$ 182,604	\$ 1,617,549
1977	\$ 2,198,592	\$ 261,552	\$ 2,460,144
1978	\$ 3,143,870	\$ 359,000	\$ 3,502,870
1979	\$ 4,248,548	\$ 451,112	\$ 4,699,660
1980	\$ 5,479,054	\$ 550,120	\$ 6,029,174

**TOTAL FARMER/MEMBER BORROWINGS FOR PRODUCTION CREDIT - ALL RURAL CREDIT UNIONS, 1973 - 1980**

Annex 13  
Page 2-a

	Amount borrowed in each credit union	1973	1974	1975	1976	1977	1978	1979	1980
Credit unions in their first year of operations	\$1,584	(6) \$ 9,504	(6) \$ 9,504	(6) \$ 9,504	(6) \$ 9,504	(7) \$ 11,088	(0) ---	(0) ---	(0) ---
Credit unions in their second year of operations	\$11,669	(6) 70,014	(6) 70,014	(6) 70,014	(6) 70,014	(6) 70,014	(7) \$ 81,683	(0) ---	(0) ---
Credit unions in their third year of operations	\$30,518	(3) 91,554	(6) 183,108	(6) 183,108	(6) 183,108	(6) 183,108	(6) 183,108	(7) \$213,626	(0) ---
Credit unions in their fourth year of operations	\$55,915		(3) 167,745	(6) 335,490	(6) 335,490	(6) 335,490	(6) 335,490	(6) 335,490	(7) \$391,405
Credit unions in their fifth year of operations	\$82,949			(3) 248,847	(6) 497,694	(6) 497,694	(6) 497,694	(6) 497,694	(6) 497,694
Credit unions in their sixth year of operations	\$113,045				(3) 339,135	(6) 678,270	(6) 678,270	(6) 678,270	(6) 678,270
Credit unions in their seventh year of operations	\$140,976					(3) 422,928	(6) 845,856	(6) 845,856	(6) 845,856
Credit unions in their eighth year of operations	\$173,923						(3) 521,769	(6) 1,043,538	(6) 1,043,538
Credit unions in their ninth year of operations	\$211,338							(3) 636,074	(6) 1,268,148
Credit unions in their tenth year of operations	\$251,381								(3) 754,143
<b>Annual total of borrowings for production credit of all rural credit unions</b>		<u>\$171,072</u>	<u>\$430,371</u>	<u>\$846,963</u>	<u>\$1,434,945</u>	<u>\$2,198,592</u>	<u>\$3,143,870</u>	<u>\$4,248,548</u>	<u>\$5,479,054</u>

**NOTE:**

The figures in parentheses refer to the number of credit unions that have been functioning for the number of years indicated in the column on the extreme left.

**TOTAL N° OF HECTARES FINANCED AND TOTAL AMOUNT BORROWED BY FARMER/MEMBER FOR PRODUCTION CREDIT PURPOSES  
FROM A TYPICAL RURAL CREDIT UNION DURING ITS FIRST 10 YEARS OF OPERATIONS**

Annex 13  
Page 2-a-1

N° of hectares financed for farmer/members in their:	A*	First year of operations x B* = C*	Second year of operations x B* = C*	Third year of operations x B* = C*	Fourth year of operations x B* = C*	Fifth year of operations x B* = C*	Sixth year of operations x B* = C*	Seventh year of operations x B* = C*	Eighth year of operations x B* = C*	Ninth year of operations x B* = C*	Tenth year of operations x B* = C*
First year of membership	1.5	x 10 = 15.0	x 55 = 82.5	x 60 = 90	x 40 = 60	x 23 = 34.5	x 23 = 34.5	x 23 = 34.5	x 23 = 34.5	x 0 = 0	x 0 = 0
Second year of membership	2.0		x 14 = 28	x 77 = 154	x 84 = 168	x 56 = 112	x 32 = 64	x 32 = 64	x 32 = 64	x 32 = 64	x 0 = 0
Third year of membership	2.5			x 18 = 45	x 99 = 247.5	x 108 = 270	x 72 = 180	x 41 = 102.5	x 41 = 102.5	x 41 = 102.5	x 41 = 102.5
Fourth year of membership	3.0				x 18 = 54	x 99 = 297	x 108 = 324	x 72 = 216	x 41 = 123	x 41 = 123	x 41 = 123
Fifth year of membership	4.0					x 18 = 72	x 99 = 396	x 108 = 432	x 72 = 288	x 41 = 164	x 41 = 164
Sixth year of membership	4.0						x 18 = 72	x 99 = 396	x 108 = 432	x 72 = 288	x 41 = 164
Seventh year of membership	5.0							x 18 = 90	x 99 = 495	x 108 = 540	x 72 = 360
Eighth year of membership	6.0								x 18 = 108	x 99 = 594	x 108 = 648
Ninth year of membership	7.0									x 18 = 126	x 90 = 693
Tenth year of membership	7.0										x 18 = 126
<b>Total N° of hectares financed by production credit loans:</b>		<b>15.0</b>	<b>110.5</b>	<b>289.0</b>	<b>529.5</b>	<b>785.5</b>	<b>1,070.5</b>	<b>1,335.0</b>	<b>1,647.0</b>	<b>2,001.5</b>	<b>2,380.</b>
<b>Average amount of loan/hectare</b>		<b>\$96</b>	<b>\$96</b>	<b>\$96</b>	<b>\$96</b>	<b>\$96</b>	<b>\$96</b>	<b>\$96</b>	<b>\$96</b>	<b>\$96</b>	<b>\$96</b>
<b>Total amount required by borrowing farmer/members</b>		<b>\$1,440</b>	<b>\$10,608</b>	<b>\$27,744</b>	<b>\$50,832</b>	<b>\$75,408</b>	<b>\$102,768</b>	<b>\$128,160</b>	<b>\$158,112</b>	<b>\$192,144</b>	<b>\$228,528</b>
<b>Plus: 10% compulsory capitalization</b>		<b>+ 144</b>	<b>+ 1,061</b>	<b>+ 2,774</b>	<b>+ 5,083</b>	<b>+ 7,541</b>	<b>+ 10,277</b>	<b>+ 12,816</b>	<b>+ 15,811</b>	<b>+ 19,214</b>	<b>+ 22,853</b>
<b>Total annual amount of production credit loans</b>		<b><u>\$1,584</u></b>	<b><u>\$11,669</u></b>	<b><u>\$30,518</u></b>	<b><u>\$55,915</u></b>	<b><u>\$82,949</u></b>	<b><u>\$113,045</u></b>	<b><u>\$140,976</u></b>	<b><u>\$173,923</u></b>	<b><u>\$211,358</u></b>	<b><u>\$251,381</u></b>

\* A = Number of hectares financed per borrowing farmer/member.  
B = Number of borrowing farmer/members.  
C = Total number of hectares financed.

TOTAL BORROWINGS OF NON-FARMER/MEMBERS OF ALL RURAL CREDIT UNIONS, 1973 - 1980

	Accumulated non-farmer savings per credit union available for non-agricultural loans*		1973		1974		1975		1976		1977		1978		1979		1980		
Credit unions in their first year of operations	-0-	(6)	-0-	(6)	-0-	(6)	-0-	(6)	-0-	(6)	-0-	(7)	-0-	(0)	-0-	(0)	-0-	(0)	-0-
Credit unions in their second year of operations	\$ 3,200	(6)	\$19,200	(6)	\$19,200	(6)	\$19,200	(6)	\$19,200	(6)	\$19,200	(7)	\$22,400	(0)	-0-	(0)	-0-	(0)	
Credit unions in their third year of operations	\$ 4,760	(3)	14,280	(6)	28,560	(6)	28,560	(6)	28,560	(6)	28,560	(6)	28,560	(7)	\$33,320	(0)	-0-	(0)	
Credit unions in their fourth year of operations	\$ 7,072			(3)	21,216	(6)	42,432	(6)	42,432	(6)	42,432	(6)	42,432	(6)	42,432	(6)	42,432	(7)	\$49,504
Credit unions in their fifth year of operations	\$ 9,452					(3)	28,356	(6)	56,712	(6)	56,712	(6)	56,712	(6)	56,712	(6)	56,712	(6)	56,712
Credit unions in their sixth year of operations	\$11,900							(3)	35,700	(6)	71,400	(6)	71,400	(6)	71,400	(6)	71,400	(6)	71,400
Credit unions in their seventh year of operations	\$14,416									(3)	43,248	(6)	86,496	(6)	86,496	(6)	86,496	(6)	86,496
Credit unions in their eighth year of operations	\$17,000											(3)	51,000	(6)	102,000	(6)	102,000	(6)	102,000
Credit unions in their ninth year of operations	\$19,584													(3)	58,752	(6)	117,504	(6)	117,504
Credit unions in their tenth year of operations	\$22,168															(3)	66,504	(6)	66,504
Annual borrowings of non-farmers in rural credit unions:			<u>\$33,480</u>		<u>\$68,976</u>		<u>\$118,548</u>		<u>\$182,604</u>		<u>\$261,552</u>		<u>\$359,000</u>		<u>\$451,112</u>		<u>\$550,120</u>		<u>\$550,120</u>

NOTE:  
The figures in parentheses refer to the number of credit unions that have been functioning for the number of years indicated in the column on the extreme left  
\* See Assumption 7, Annex 13.

URBAN CREDIT UNION LOANS

ASSUMPTIONS:

(1) Loans made during the year to members of urban credit unions will approximate 80% of credit union savings. The remaining 20% will be used for credit union liquidity and fixed assets.

(2) The average loan will have a twelve month repayment schedule.

(3) Urban credit union savings will grow as project in Annex 11.

PROJECTIONS:

URBAN CREDIT UNION LOANS MADE DURING THE YEAR 1973-1980

<u>Year</u>	<u>Savings</u>	<u>Loanable Percentage</u>	<u>Loans</u>
1973	\$ 384,987 x	80% =	\$ 307,990
1974	\$ 514,187 X	80% =	\$ 411,350
1975	\$ 671,887 x	80% =	\$ 537,510
1976	\$ 863,787 x	80% =	\$ 691,030
1977	\$ 1,095,587 x	80% =	\$ 876,470
1978	\$ 1,372,987 x	80% =	\$ 1,098,390
1979	\$ 1,701,687 x	80% =	\$ 1,361,350
1980	\$ 2,087,387 x	80% =	\$ 1,669,910

TOTAL CREDIT UNION LOANSASSUMPTIONS:

- (1) Total Rural Credit Union loans will grow as projected in Annex 13.
- (2) Total Urban Credit Union loans will grow as projected in Annex 14.

PROJECTIONS:TOTAL CREDIT UNION LOANS MADE DURING THE YEAR 1973-1980

	<u>Total Loans Made by Rural Credit Unions</u>	<u>Total Loans Made by Urban Credit Unions</u>	<u>Total Loans Made by All Credit Unions</u>
1973	\$ 204,552	\$ 307,990	\$ 512,542
1974	\$ 499,347	\$ 411,350	\$ 910,697
1975	\$ 965,511	\$ 537,510	\$1,503,021
1976	\$1,617,549	\$ 691,030	\$2,308,579
1977	\$2,460,144	\$ 876,470	\$3,336,614
1978	\$3,502,870	\$1,098,390	\$4,601,260
1979	\$4,699,660	\$1,361,350	\$6,061,010
1980	\$6,029,174	\$1,669,910	\$7,699,084

**NUMBER OF RURAL CREDIT UNION MEMBERS RECEIVING  
AGRICULTURAL LOANS DURING THE YEAR**

**ASSUMPTIONS:**

(1) The number of farmer members borrowing each year for agricultural purposes will follow the pattern explained in numbers 1 through 4 in the assumptions of Annex 13.

(2) The number of rural credit unions will grow as projected in Annex 3.

**PROJECTIONS:**

**NUMBER OF RURAL CREDIT UNION MEMBERS RECEIVING  
AGRICULTURAL LOANS DURING THE YEAR, 1973-1980**

<u>Year</u>	<u>Number of Members Receiving Agricultural Loans</u>
1973	939
1974	2,127
1975	3,762
1976	5,730
1977	7,775
1978	10,457
1979	12,765
1980	14,667

TOTAL NUMBER OF FARMER/MEMBERS OF RURAL CREDIT UNIONS  
THAT RECEIVE PRODUCTION CREDIT LOANS EACH YEAR FROM  
1973 through 1980

	Number of farmer/members with production credit loans per credit union	As of Dec. 31,1973	As of Dec. 31,1974	As of Dec. 31,1975	As of Dec. 31,1976	As of Dec. 31,1977	As of Dec. 31,1978	As of Dec. 31,1979	As of Dec. 31,1980
Credit Unions in their first year of operations	10	(6) 60	(6) 60	(6) 60	(6) 60	(7) 70	(0)	(0)	(0)
Credit Unions in their second year of operations	69	(6) 414	(6) 414	(6) 414	(6) 414	(6) 414	(7) 483	(0)	(0)
Credit Unions in their third year of operations	155	(3) 465	(6) 930	(6) 930	(6) 930	(6) 930	(6) 930	(7) 1,085	(0)
Credit Unions in their fourth year of operations	241		(3) 723	(6) 1,446	(6) 1,446	(6) 1,446	(6) 1,446	(6) 1,446	(7) 1,687
Credit Unions in their fifth year of operations	304			(3) 912	(6) 1,824	(6) 1,824	(6) 1,824	(6) 1,824	(6) 1,824
Credit Unions in their sixth year of operations	352				(3) 1,056	(6) 2,112	(6) 2,112	(6) 2,112	(6) 2,112
Credit Unions in their seventh year of operations	393					(3) 1,179	(6) 2,358	(6) 2,358	(6) 2,358
Credit Unions in their eighth year of operations	434						(3) 1,302	(6) 2,604	(6) 2,604
Credit Unions in their ninth year of operations	452							(3) 1,356	(6) 2,712
Credit Unions in their tenth year of operations	461								(3) 1,383
Annual total of farmer/members who receive production credit union loans		<u>939</u>	<u>2,127</u>	<u>3,762</u>	<u>5,730</u>	<u>7,975</u>	<u>10,455</u>	<u>12,785</u>	<u>14,686</u>

NOTE:  
The figures in parentheses refer to the number of credit unions that have been functioning for the number of years indicated in the column on the extreme left.

AVERAGE "NORMAL" DELINQUENCY - 90 DAYS and 180 DAYS

"Normal" delinquency is defined as the non-payment of a loan installment that has come due, but does not include those failures to pay which are caused by adverse weather effects on crops and which have been or will be, refinanced.

PROJECTIONS:AVERAGE "NORMAL" DELINQUENCY IN LOAN REPAYMENTS, 1973-1980

	<u>90 Day Delinquency</u>		<u>180 Day Delinquency</u>	
	<u>Urban Credit Unions</u>	<u>Rural Credit Unions</u>	<u>Urban Credit Unions</u>	<u>Rural Credit Unions</u>
1973	10%	10%	5%	5%
1974	10%	10%	5%	5%
1975	10%	10%	5%	5%
1976	10%	10%	5%	5%
1977	10%	10%	5%	5%
1978	10%	10%	5%	5%
1979	10%	10%	5%	5%
1980	10%	10%	5%	5%

NUMBER OF HECTARES FINANCED  
BY PRODUCTION LOANS

ASSUMPTIONS:

(1) After joining the credit union, those farmers who take out loans will finance plots of the following size in each of their first ten years of membership:

First Year	- 1.5 hectares	( 3.7 acres)
Second Year	- 2.0 "	( 4.9 " )
Third Year	- 2.5 "	( 6.2 " )
Fourth Year	- 3.0 "	( 7.4 " )
Fifth Year	- 4.0 "	( 9.9 " )
Sixth Year	- 4.0 "	( 9.9 " )
Seventh Year	- 5.0 "	( 12.4 " )
Eighth Year	- 6.0 "	( 14.8 " )
Ninth Year	- 7.0 "	( 17.3 " )
Tenth Year	- 7.0 "	( 17.3 " )

(2) Farmers will join rural credit unions as projected in chart chart in Annex 3.

(3) Rural credit unions will grow in number as projected in Annex 3.

(4) Farmers will borrow from rural credit unions in the amount projected in assumption 1-4 in Annex B.

PROJECTIONS:

TOTAL NUMBER OF HECTARES FINANCED BY  
CREDIT UNION PRODUCTION LOANS, 1973-1980

	<u>No. of Hecteres Financed by Credit Union Loans</u>	<u>Acre Equivalent</u>
1973	1,620.0	4,001.4
1974	4,075.5	10,066.5
1975	8,020.5	19,810.6
1976	13,588.5	33,563.6
1977	20,820.0	51,425.4
1978	29,771.5	73,535.6
1979	40,232.5	99,374.3
1980	51,885.0	128,156.0

**TOTAL NUMBER OF HECTARES FINANCED BY RURAL CREDIT UNIONS**

Annex 18  
Page 2-a

	Number of hectares financed per credit union	1973	1974	1975	1976	1977	1978	1979	1980
Credit unions in their first year of operations	15.0	(6) 90.0	(6) 90.0	(6) 90.0	(6) 90.0	(7) 105.0	(0) -0-	(0) -0-	(0) -0-
Credit unions in their second year of operations	110.5	(6) 663.0	(6) 663.0	(6) 663.0	(6) 663.0	(6) 663.0	(7) 773.5	(0) -0-	(0) -0-
Credit unions in their third year of operations	289.0	(3) 867.0	(6) 1,734.0	(6) 1,734.0	(6) 1,734.0	(6) 1,734.0	(6) 1,734.0	(7) 2,023.0	(0) -0-
Credit unions in their fourth year of operations	529.5		(3) 1,588.5	(6) 3,177.0	(6) 3,177.0	(6) 3,177.0	(6) 3,177.0	(6) 3,177.0	(7) 3,706.5
Credit unions in their fifth year of operations	785.5			(3) 2,356.5	(6) 4,713.0	(6) 4,713.0	(6) 4,713.0	(6) 4,713.0	(6) 4,713.0
Credit unions in their sixth year of operations	1,070.5				(3) 3,211.5	(6) 6,423.0	(6) 6,423.0	(6) 6,423.0	(6) 6,423.0
Credit unions in their seventh year of operations	1,335.0					(3) 4,005.0	(6) 8,010.0	(6) 8,010.0	(6) 8,010.0
Credit unions in their eighth year of operations	1,647.0						(3) 4,941.0	(6) 9,882.0	(6) 9,882.0
Credit unions in their ninth year of operations	2,001.5							(3) 6,004.5	(6) 12,009.0
Credit unions in their tenth year of operations	2,380.5								(3) 7,141.5
<b>Annual total of hectares financed</b>		<u>1,620.0</u>	<u>4,075.5</u>	<u>8,020.5</u>	<u>13,588.5</u>	<u>20,820.0</u>	<u>29,771.5</u>	<u>40,232.5</u>	<u>51,883.0</u>

**NOTE:**  
The figures in parentheses refer to the number of credit unions that have been functioning for the number of years indicated in the column on the extreme left

NUMBER OF CREDIT UNION MEMBERS MARKETING  
THEIR PRODUCT THROUGH AN AGRICULTURAL COOPERATIVE  
OR AN AGRICULTURAL COOPERATIVE CENTRAL

A credit union member will be considered to have met the criteria of this indicator if during the year he delivers at least one of his crops to an agricultural cooperative or central for this organization to market.

In addition, farmer members of credit unions will be encouraged to join agricultural cooperatives and members of these agricultural cooperatives will be encouraged to become members of credit unions so that each may enjoy the services of both types of cooperatives.

**NUMBER OF MANAGERS AND BOARD MEMBERS**  
**TRAINED BY FEDERATION PERSONNEL**

A credit union manager will be considered to have been trained by the federation/central when he has attended a minimum of 150 hours of instruction. During these hours the manager will study topics that the federation/central considers appropriate so that he can carry out his work effectively. Some of these topics are: accounting, the cooperative law, planning, evaluating, statistics gathering and use, agriculture credit giving and collecting, etc. It is expected to take, on an average, 2 years for a manager to take all of these courses.

A board member will be considered to have been trained by the federation when he has attended at least 50 hours of instruction on subjects relevant to his particular committee. For a member of the board of directors, for example, these classes would touch on the following areas: basic administration, accounting, legal aspects, cooperative integration, etc.

MANAGERS WITH 150 HOURS OF FEDERATION INSTRUCTION, 1973-1980

	<u>1973</u>	<u>1974</u>	<u>1975</u>	<u>1976</u>	<u>1977</u>	<u>1978</u>	<u>1979</u>	<u>1980</u>
Number of Managers from Rural Credit Unions (Cumulative)	3	9	15	21	27	33	40	40
Number of Managers from Urban Credit Unions (Cumulative)	1	2	3	4	5	6	7	8

COMMITTEE MEMBERS WITH 50 HOURS OF FEDERATION INSTRUCTION, 1973-1980

	<u>1973</u>	<u>1974</u>	<u>1975</u>	<u>1976</u>	<u>1977</u>	<u>1978</u>	<u>1979</u>	<u>1980</u>
Total Number of Committee Members	50	88	121	146	187	220	220	220

EDUCATION COURSES

	<u>Length</u>	<u>Average Attendance</u>	<u>1973</u>	<u>1974</u>	<u>1975</u>	<u>1976</u>	<u>1977</u>	<u>1978</u>
<b>1. Seminars:</b>								
(a) for Managers and Office Assistants	40 hours	20	2	3	3	3	3	3
(b) Committee Members and Volunteer Leaders	40 hours	25	4	4	4	4	4	4
<b>2. Short Courses:</b>								
Committee Members & Volunteer Leaders	10 hours	25	16	16	16	16	16	16
<b>3. Specialized Workshops for Committee Members, Volunteer Leaders and Directors</b>	14 hours	25	6	6	6	6	6	6



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SUBJECT: REVISED PROP - CREDIT UNIONS DEVELOPMENT

REF: STATE 009537

SUMMARY: MISSION SUPPLIES ADDITIONAL INFORMATION REQUESTED IN REFERENCE.

A. PROJECT EXPERIENCE TO DATE.

1. PAR FOR THIS PROJECT SUBMITTED MAY 7, 1973, PROVIDES SUMMARY OF THE PROJECT'S EXPERIENCE TO DATE (COPIES OF THE PAR SENT TO AID/W C/D BARRY SIDMAN, LA/DR). FOLLOWING IS SUMMARY OF PROGRESS MADE TOWARDS MAJOR QUANTITATIVE TARGETS THROUGH DECEMBER 31, 1972. NUMBER OF RURAL CREDIT UNIONS: PLANNED-12; ACHIEVED-6 CHARTERED, 13 IN VARIOUS STAGES OF FORMATION. NUMBER OF URBAN UNIONS: PLANNED-25; ACHIEVED-0 CHARTERED, 10 IN FORMATION. NUMBER OF MEMBERS OF RURAL UNIONS: PLANNED-2,700; ACHIEVED-2,549, OF WHOM 1,146 WERE FARMERS. VALUE OF AGRICULTURAL LOANS OUTSTANDING: PLANNED \$181,000; ACHIEVED \$87,000.

2. SHORTFALLS ARE DUE TO OVERLY OPTIMISTIC TARGETS, PARTICULARLY WITH RESPECT TO NUMBER OF FARMER MEMBERS OF CREDIT UNIONS (THIS SHORTFALL AFFECTS A NUMBER OF OTHER SHORTFALLS, E.G. AGRICULTURAL LOANS) AND TO PROBLEMS IN THE MINISTRY OF AGRICULTURE WHICH HAVE DELAYED LEGAL CHARTERING OF CREDIT UNIONS UNDER THE NEW COOPERATIVE LAW AND HAVE REQUIRED THE

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CREDIT UNIONS TO DIVERT CONSIDERABLE TIME AND EFFORT TO THIS MATTER. THE LATTER PROBLEM HAS DELAYED THE FORMATION OF THE FEDERATION OF CREDIT UNIONS SINCE IT CANNOT BE FORMED UNTIL THE POTENTIAL MEMBER UNIONS ARE LEGALLY CHARTERED.

B. STRATEGY FOR COORDINATION OF CREDIT UNION AND COOPERATIVE DEVELOPMENT (UNIPACO) PROJECTS.

1. WE DO NOT INTEND TO ESTABLISH MULTI-SERVICE COOPERATIVES DUE TO THE HIGH RATE OF FAILURE EXPERIENCED WITH THIS TYPE OF ORGANIZATION IN OTHER DEVELOPING COUNTRIES. RATHER, WE PLAN TO COLLOCATE CREDIT UNIONS AND IMPROVED UNIPACO AFFILIATED COOPERATIVES WHEREVER FEASIBLE. THROUGH A COMBINATION OF THE TWO MEANS OF ACHIEVING COLLOCATION DESCRIBED BELOW, WE EXPECT TO HAVE BY END CY 1973 CREDIT UNIONS AND UNIPACO AFFILIATED COOPERATIVES COLLOCATED IN THE FOLLOWING COMMUNITIES: ITACURUBI, CARAGUATAY, CORONEL OVIEDO, SAN PEDRO, COLONIA UNIDAS AND COLONIA ALFREDO MAYOR PLA. BY THE END OF THE PROJECT, AT LEAST HALF OF THE FORTY RURAL CREDIT UNIONS PLANNED WILL BE COLLOCATED WITH UNIPACO COOPERATIVES, AND THE REMAINDER WILL BE UTILIZING UNIPACO FOR MARKETING AND INPUT SERVICES AS INTERIM MEASURES PRIOR TO THE FORMING OF MARKETING/SERVICES COOPERATIVES. (IT IS NOT ANTICIPATED THAT ALL UNIPACO COOPERATIVES WILL FORM CREDIT UNIONS DURING THE LIFE OF THE CREDIT UNION PROJECT. THIS IS BECAUSE: (A) NOT ALL THE COOPERATIVES WILL DESIRE OR NEED CREDIT UNION SERVICES; (B) SOME OF UNIPACO'S COOPS WILL BE COMPRISED OF MEDIUM AND LARGE SCALE FARMERS, WHICH ARE NOT THE TARGET GROUPS OF THE CREDIT UNION PROJECT BECAUSE THESE FARMERS HAVE ACCESS TO OTHER SOURCES OF CREDIT; AND (C) NOT ALL UNIPACO COOPERATIVES WILL MEET THE CREDIT UNION PROJECT REQUIREMENT FOR POTENTIAL SIZE OF MEMBERSHIP (AT LEAST 500 MEMBERS).

2. WE ARE SEEKING TO HAVE MEMBERS OF UNIPACO COOPERATIVES FORM CREDIT UNIONS, AND WE EXPECT THE FARMER MEMBERS OF CREDIT UNIONS TO FORM MARKETING/SERVICES COOPERATIVES AND AFFILIATE WITH UNIPACO. WE CURRENTLY ARE PURSUING PRIMARILY THE FORMER ACTIVITY BECAUSE WE BELIEVE THAT CREDIT UNIONS, BEING ORGANIZED AS ENTIRELY NEW ENTITIES, NEED TWO TO THREE YEARS OF EXPERIENCE TO BECOME FINANCIALLY AND ORGANIZATIONALLY SOUND ENOUGH TO ALLOW THEIR MEMBERS TO TAKE ON THE ADDITIONAL LOAD OF FORMING

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MARKETING/SERVICES COOPERATIVES, IN CONTRAST, LACK OF ORGANIZATIONAL VIABILITY IS NOT A MAJOR OBSTACLE FOR THE UNIPACO AFFILIATED MARKETING/SERVICES COOPERATIVES (UNIPACO IN ITS EARLY YEARS IS NOT ORGANIZING COOPERATIVES, IT IS AFFILIATING ALREADY EXISTING ONES). THUS AT THE PRESENT TIME, TWO UNIPACO AFFILIATED COOPERATIVES ARE DISCUSSING WITH CREDIT UNION ADVISORS THE POSSIBILITY OF ESTABLISHING CREDIT UNIONS WITHIN THEIR AREAS OF INFLUENCE.

3. AT THE PRESENT TIME, THREE OR FOUR CREDIT UNIONS HAVE THE NECESSARY ORGANIZATIONAL EXPERIENCE TO WORK TOWARD THE FORMATION OF MARKETING/SERVICES COOPERATIVES. FURTHERMORE, UNIPACO HAS ENTERED INTO INFORMAL ARRANGEMENTS WITH THE RURAL CREDIT UNIONS TO ACT AS THEIR MARKETING AGENT. THIS YEAR UNIPACO: (A) HAS MARKETED THE COTTON PRODUCED BY SEVEN CREDIT UNIONS; (B) IS CURRENTLY MARKETING CREDIT UNION PRODUCED SOY-BEANS; AND (C) NEXT MONTH WILL MARKET CREDIT UNION PRODUCED CORN.

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4. THE INTERRELATIONSHIP OF THE TECHNICAL ASSISTANCE OF THE TWO PROJECTS IS CLEARLY DEFINED. THE CUNA CONTRACTOR PROVIDES ADVICE ON CREDIT MATTERS UPON REQUEST TO UNIPACO COOPERATIVES AND THE CREDIT UNIONS RECEIVE MARKETING ASSISTANCE FROM THE ACDI CONTRACTOR AS NEEDED. BOTH OF THESE ACTIVITIES ARE PRELIMINARY STEPS TOWARD THE COLLOCATION OF CREDIT UNIONS AND MARKETING/SERVICES COOPERATIVES. THE TWO ADVISORS MEET AT LEAST TWICE A MONTH TO COORDINATE THEIR ACTIVITIES. (WHILE THE CUNA ADVISOR HAS, ON OCCASION, HAD TO PROVIDE SOME ASSISTANCE IN MARKETING DURING THE EARLY PHASE OF THE CREDIT UNION PROJECT, THIS HAS BEEN HELD TO A MINIMUM.) TO HELP ASSURE THAT SIMILAR COORDINATION ALSO IS EFFECTED BETWEEN THE TWO RECIPIENT ORGANIZATIONS, WE PLAN TO URGE THE CREDIT UNION FEDERATION, WHEN FORMED, TO HAVE ON ITS BOARD OF DIRECTORS AT LEAST ONE MEMBER OF THE BOARD OF UNIPACO.

C. TARGETS FOR GOAL ACHIEVEMENT.

1. THERE ARE NO RELIABLE BASELINE DATA ON SMALL FARMER INCOME CURRENTLY AVAILABLE. AS STATED IN THE REVISED PROP, ANNEX 1, COLAC WILL BE DESIGNING AND CONDUCTING, DURING CY 1973, A SAMPLE SURVEY WHICH WILL COLLECT SUCH DATA ON CREDIT UNION MEMBERS. WE EXPECT THAT SUCH A SURVEY WILL BE CARRIED OUT IN PARAGUAY WITHIN THE NEXT 10-12 MONTHS. ADDITIONALLY, PARAGUAY HOPES TO PARTICIPATE IN THE AID/W LOCAL ACTION PROJECT NO. 931-11-730-986. UNDER THIS PROJECT A LOCAL CONTRACTOR WILL COLLECT CONSIDERABLE DATA CONCERNING BOTH THE CREDIT UNION AND UNIPACO PROJECTS, INCLUDING INCOME LEVELS OF BOTH CREDIT UNION MEMBERS AND NON-MEMBERS. WE EXPECT THAT THE INITIAL SURVEY

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