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UNCLASSIFIED

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

BOLIVIA

PROJECT PAPER

SMALL FARMER ORGANIZATIONS

AMENDMENT

AID/LAC/P-2131/1

Project Number: 511-0452  
Loan Number: 511-T-055

UNCLASSIFIED

AGENCY FOR INTERNATIONAL DEVELOPMENT

**PROJECT PAPER FACESHEET**

1. TRANSACTION CODE  
 A ADD  
 C CHANGE  
 D DELETE

2. DOCUMENT CODE  
 PP  
 3

3. COUNTRY ENTITY  
 BOLIVIA

4. DOCUMENT REVISION NUMBER

5. PROJECT NUMBER (7 digits)  
 511-0452

6. BUREAU/OFFICE  
 A. SYMBOL: LA  
 B. CODE:  05

7. PROJECT TITLE (Maximum 40 characters)  
 Small Farmer Organizations

8. ESTIMATED FY OF PROJECT COMPLETION  
 FY  8  1

9. ESTIMATED DATE OF OBLIGATION  
 A. INITIAL FY    
 B. QUARTER   
 C. FINAL FY   (Enter 1, 2, 3, or 4)

10. ESTIMATED COSTS (\$000 OR EQUIVALENT \$) -

A. FUNDING SOURCE	IQ - FY 1979			LIFE OF PROJECT		
	B. FX	C. L/C	D. TOTAL	E. FX	F. L/C	G. TOTAL
AID APPROPRIATED TOTAL						
(GRANT)	( 2,977 )	( 448 )	( 3,425 )	( 3,737 )	( 488 )	( 4,225 )
(LOAN)	( 630 )	( 6,870 )	( 7,500 )	( 630 )	( 6,870 )	( 7,500 )
OTHER U.S.	1.					
	2.					
HOST COUNTRY	-	6,350	6,350	-	6,788	6,788
OTHER DONOR(S)						
TOTALS	3,607	13,668	17,275	4,367	14,146	18,513

11. PROPOSED BUDGET APPROPRIATED FUNDS (\$000)

A. APPROPRIATION	B. PRIMARY PURPOSE CODE	PRIMARY TECH. CODE		E. 1ST FY 80		H. 2ND FY 81		K. 3RD FY	
		C. GRANT	D. LOAN	F. GRANT	G. LOAN	I. GRANT	J. LOAN	L. GRANT	M. LOAN
(1) FN	150	031		380		420			
(2)									
(3)									
(4)									
TOTALS				380		420			

A. APPROPRIATION	N. 4TH FY		O. 5TH FY		LIFE OF PROJECT		12. IN-DEPTH EVALUATION SCHEDULED
	D. GRANT	P. LOAN	R. GRANT	S. LOAN	T. GRANT	U. LOAN	
(1) FN					4,225	7,500	MM   YY <input type="checkbox"/> 1   <input type="checkbox"/> 0   <input type="checkbox"/> 8   <input type="checkbox"/> 0
(2)							
(3)							
(4)							
TOTALS					4,225	7,500	

13. DATA CHANGE INDICATOR. WERE CHANGES MADE IN THE PID FACESHEET DATA, BLOCKS 12, 13, 14, OR 15 OR IN PRP FACESHEET DATA, BLOCK 12? IF YES, ATTACH CHANGED PID FACESHEET.

1 = NO  
 2 = YES

14. ORIGINATING OFFICE CLEARANCE

SIGNATURE  
 Abe M. Peña

TITLE  
 Mission Director  
 USAID/Bolivia

DATE SIGNED  
 MM | DD | YY  
 0 |  9 |  2 |  0 |  7 |  9

15. DATE DOCUMENT RECEIVED IN AID/W, OR FOR AID/W DOCUMENTS, DATE OF DISTRIBUTION  
 MM | DD | YY  
 |  |  |  |  |

UNITED STATES INTERNATIONAL DEVELOPMENT COOPERATION AGENCY  
AGENCY FOR INTERNATIONAL DEVELOPMENT  
WASHINGTON DC 20523

ASSISTANT  
ADMINISTRATOR

PROJECT AUTHORIZATION AND REQUEST FOR ALLOTMENT OF FUNDS

(Amendment No. 1)

Name of Country: Bolivia  
Name of Project: Small Farmer Organizations  
Number of Project: 511-0452

Pursuant to Section 103 of the Foreign Assistance Act of 1961, as amended, a Grant to the Government of Bolivia was authorized in order to finance certain foreign exchange and local currency costs of the Small Farmer Organizations project. This Grant was authorized pursuant to the Project Authorization and Request for Allotment of Funds, dated August 31, 1977 (the "PAF"). The PAF is hereby amended by deleting the text thereof in its entirety and by substituting the following therefor:

"1. Pursuant to Section 103 of the Foreign Assistance Act of 1961, as amended, I hereby authorize the Small Farmer Organizations project for Bolivia (the "Cooperating Country") involving planned obligations of not to exceed \$1,935,000 in grant funds (which supplements the following previously authorized and approved financing: a loan of \$7.5 million and grants totalling \$2.29 million) over a two-year period from date of authorization, subject to the availability of funds in accordance with the A.I.D. OYB/allotment process, to help in financing foreign exchange and local currency costs for the project.

"2. The project consists of providing technical assistance and training to assist in the development, strengthening and promotion of integral cooperatives in rural Bolivia.

"3. An Amendment to the existing Project Grant Agreement, which may be negotiated and executed by the officer to whom such authority is delegated in accordance with A.I.D. regulations and Delegations of Authority, shall be subject to the following essential terms and covenants and major conditions, together with such other terms and conditions as A.I.D. may deem appropriate.

a. Source of Origin of Goods and Services

Goods and services, except for ocean shipping, financed by A.I.D. under the Grant shall have their source and origin in Bolivia or in the United States, except as A.I.D. may otherwise agree in writing. Ocean shipping financed by A.I.D. under the Grant shall, except as A.I.D. may otherwise agree in writing, be financed only on flag vessels of the United States.

b. Conditions Precedent to Initial Disbursement

Prior to any disbursement, or the issuance of any commitment documents under the Project Grant Agreement, the Cooperating Country shall furnish in form and substance satisfactory to A.I.D.:

(i) Evidence of the establishment within the National Federation of Credit Unions (FENACRE) of a national office of integral cooperatives (NOIC) with appropriate staffing and funding;

(ii) Evidence of the transfer of the Revolving Credit Fund (CROFOC) from the National Community Development Service (NCDS) to the Bolivian Agricultural Bank (BAB); and

(iii) BAB regulations governing all phases of administration of and lending from CROFOC.

c. Covenants

The Cooperating Country shall covenant:

(i) To conduct annual audits of the integral cooperatives receiving subloans from CROFOC at no expense to the cooperatives; and

(ii) To submit by December 31, 1980, a long-range plan for developing a private sector, financially viable rural cooperative structure, which plan specifies how credit and technical assistance will be made available to rural cooperatives and defines the role of each institution within the proposed structure."

Except as expressly amended hereby, the PAF remains in full force and effect.

J. Conrad W. Coe  
Acting Assistant Administrator  
Bureau for Latin America  
and the Caribbean

Dec 19 1979  
Date

Clearances:

GC/LAC:	JLKessler	<u>JLK</u>	date	<u>12/15/79</u>
LAC/SA:	RBurke	<u>RB</u>	date	<u>12/15/79</u>
LAC/DR:	TBrown	<u>TB</u>	date	<u>12/15/79</u>
LAC/DR:	ILevy	<u>IL</u>	date	<u>12/11/79</u>
LAC/DR:	MBrown	<u>MB</u>	date	<u>12/11/79</u>

Drafted:GC/LAC:GM/11/11/79/inter:ckg:11/28/79:ext:29182

UNITED STATES INTERNATIONAL DEVELOPMENT COOPERATION AGENCY  
AGENCY FOR INTERNATIONAL DEVELOPMENT  
WASHINGTON, D.C. 20523

ASSISTANT  
ADMINISTRATOR

LOAN AUTHORIZATION

(Amendment No. 2)

Name of Project: Small Farmer Organizations  
Number of Project: 511-T-055

Pursuant to Section 103 of the Foreign Assistance Act of 1961, as amended, and Delegations of Authority issued thereunder, I hereby amend the Loan Authorization for the above project dated December 31, 1975, and amended on March 22, 1976 (hereinafter, as so amended, the Loan Authorization), as follows:

1. The figures "\$6.0 million" and "\$1.5 million" are hereby deleted from clauses (1) and (2), respectively, of the preamble to the Loan Authorization.
2. The phrase "National Community Development Services (NCDS)" is hereby deleted from clause (2) of the preamble to the Loan Authorization and the phrase "participating Integral Cooperatives" is substituted in lieu thereof.
3. Subsections 2,3 and 7 are hereby deleted from Section II.F of the Loan Authorization.

Except as expressly modified hereby, the Loan Authorization remains in full force and effect.

*Richard W. Brown*  
Acting Assistant Administrator  
Bureau for Latin America  
and the Caribbean

*Dec 19 1979*  
Date

Clearances:

GC/LAC: JLKessler	<u><i>JLK</i></u>	date <u><i>12/4/79</i></u>
LAC/SA: RBurke	<u><i>RB</i></u>	date <u><i>12/5/79</i></u>
LAC/DR: TBrown		date _____
LAC/DR: ILevy	<u><i>IL</i></u>	date <u><i>12/11/79</i></u>
LAC/LAC: MBrown	<u><i>MB</i></u>	date <u><i>12/14/79</i></u>

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## I. INTRODUCTION

The purpose of the project paper amendment is to modify the implementation arrangements of the Small Farmer Organization project, to extend the project's Terminal Disbursement Date, and to increase grant financing by \$ 800,000.

These modifications are proposed because, despite having proven themselves to be effective channels for reaching the target group of Bolivia's poorest farmers, the integral cooperatives promoted under the project are not yet financially or institutionally viable. The elected leaders and general membership of these cooperatives are not adequately informed of their rights and obligations, and the management personnel are not sufficiently prepared to perform their duties efficiently.

The modifications proposed for the continued implementation of the project include transfer of the responsibilities for providing technical and financial support to the integral cooperatives from the National Community Development Service (NCDS) to the National Federation of Savings and Credit Cooperatives (FENACRE). In addition, administration of a \$ 5,825,000 revolving credit fund will be transferred to the Banco Agrícola de Bolivia. The present long-term technical assistance team will be reduced in size and refocused, and an intensive training program for cooperative managers and members will be undertaken.

## II. BACKGROUND

### A. Initial Project Design and Revision

The Small Farmer Organization project was initiated on March 24, 1976, as an effort to reinforce 210 of the estimated 1,000 small farmer organizations existing in Bolivia. They were to be organized into 10 to 14 zonal service centers which would provide various services (credit, input supply and marketing projects) to the base level organizations. The zonal centers would, in turn, be organized into departmental and eventually national federations.

Early in the implementation of the project, a decision was reached by the Government of Bolivia and USAID/Bolivia to change the basic cooperative development strategy of the project. The new strategy focused on the development of multi-service, multi-community base level cooperatives as substitutes for the zonal central structure described above. These new organizations, called integral cooperatives (ICs), were to concentrate on a single agricultural product,

providing a full range of services including agricultural technical assistance, credit, input supply, marketing and, where required, processing of production.

The fundamental distinctions between the two strategies were the centralization of administrative responsibilities, concentration of capital, economies of scale from large-volume operations and professional management contemplated in the integral cooperatives. This revision of the cooperative development strategy led to a revision of the project paper which was approved on August 31, 1977. All further references to the existing project in the present paper will refer to the revised cooperative development strategy and the revised project paper.

## B. Project Summary

### 1. Objective and Description

The purposes of the Small Farmer Organization project are to: (1) develop four viable integral cooperatives on a pilot basis, and create the conditions in the rest of the country which will facilitate the future promotion of integral cooperatives; (2) assist community groups of small farmers to develop rural enterprises; and (3) strengthen the capability of the NCDS to effectively carry out the above.

The integral cooperatives were designed to affiliate farmer members and to provide services directly to them. Each cooperative was to have between 3,000 and 5,000 members when fully developed. Membership participation and control was to be assured through the creation of ten to twenty Associated Zonal Groups. The AZGs would approve membership and credit applications from farmers within their geographic areas, supervise and collect loans from community members, and coordinate educational activities. They were also to serve as the primary communication link between members and cooperative directors and administrative personnel.

Prior to the creation of each integral cooperative, a detailed feasibility study was to be conducted identifying the agricultural activity with greatest potential in a zone with similar cultural, geographic and agronomic characteristics. In addition, the primary constraints to increased farmer income from the agricultural activity would be described and the service structure required to resolve those constraints would be designed. Services

related to other crop and livestock activities in the zone were also contemplated but this was given secondary importance, in order to simplify the administrative responsibilities.

Based on positive feasibility analysis, each IC was to receive a subsidy for initial operating costs. By providing a full line of services from the start, it was believed that membership would grow more quickly and self-sufficiency would be reached within a three-to four-year period. The subsidy would also enable the integral cooperatives to attract competent managers and to install administrative discipline.

Each integral cooperative was to be a modern, agricultural business, capable of competing with other private sector enterprises. In order to capitalize the ICs, all agricultural credit was to be limited to a fixed ratio to each farmer's paid-in capital, and each farmer was to be required to pay into his capital account an additional percentage of each loan received. Other services were to be provided at prices near the existing market price levels, while the profits generated would be returned to the farmer at the end of each year.

The personnel of each cooperative would vary depending on its activities, but generally would include a manager accountant, secretary, cashier, and several agricultural extension agents.

The project was to be implemented by the Bolivian National Community Development Service (NCDS), which had a long history of community promotion and social infrastructure construction activities throughout Bolivia. It was considered the public organization with the greatest rapport with rural leaders and the most impressive history of implementation of projects in rural areas.

Finally, the project was to undertake 15 to 20 feasibility studies for creation of additional ICs to be funded under a subsequent project. NCDS was to also provide financing and limited technical assistance to small farmer organizations in these additional areas in order to prepare the basis for future activities. Investigation of the feasibility of creating one or more national level organizations that would affiliate the integral cooperatives was also to be undertaken. Creation of such an organization was contemplated prior to a subsequent Small Farmer Organization II loan/grant project, at which time NCDS would cease to be the implementing agency.

## 2. Project Components

(All amounts are per Implementation Letter No. 17, which amended the project description, Annex I, to the Loan Agreement.)

### a. Loan 511-T-055

#### (1) Revolving Credit Fund (CROFOC)

\$ 5,453,000 were provided to finance sub-loans to integral cooperatives and other small farmer organizations for production credit and agricultural marketing activities; purchase or construction of economic infrastructure and equipment; and for financing rural enterprise activities.

The following mechanism for disbursing loan funds was established: Each integral cooperative prepares a loan request for submission to NCDS. NCDS submits the loan request to a national credit committee for approval. This committee is composed of representatives of NCDS (majority), plus representatives of the Bolivian Agricultural Technology Institute, the National Cooperatives Institute, the State Bank, and the Bolivian Agricultural Bank. USAID disburses funds to the State Bank upon NCDS request, and the State Bank serves as disbursing agent for NCDS of funds for the ICs.

#### (ii) Community Assistance Fund

\$ 600,000 were provided to finance community development activities complementary to the economic activities of the cooperatives. Construction of roads, bridges, irrigation systems, etc., on a self-help basis are the types of activities included in this component.

#### (iii) Campesino and Participant Training Fund

\$ 497,000 were provided to finance courses for cooperative members, directors and employees. These funds were also to finance renovation of NCDS training centers, procurement of training equipment and participating training in third countries or the U.S.

#### (iv) Equipment and Materials

\$ 600,000 were provided to finance procurement of vehicles and equipment for NCDS and INALCO (National Institute of

Cooperatives). This equipment was to be used by both institutions in their support of the project.

(v) Short-Term Technical Assistance

\$ 350,000 were provided to finance a variety of short-term technical consultants in cooperative development, training, and specific economic and agricultural fields.

b. Grant 511-0452

(i) Long-Term Technical Assistance

\$ 3,002,000 were provided to finance 412 person-months of technical assistance. Nine long-term advisors were envisioned including the Chief-of-Party, Agricultural Credit Advisor, Cooperative Management Advisor, Training Advisor, Agricultural Extension Advisor, and four Administration and Promotion Advisors (to be assigned one to each IC).

The Government of Bolivia (GOB) followed established competitive procurement procedures to obtain technical services, and the firm of Robert R. Nathan & Associates (RRNA) was contracted to provide this assistance.

(ii) Participant Training

\$ 79,000 were provided to finance in-service training for cooperative directors and managers. The training envisioned contemplated the trainees working alongside professionals and leaders in other cooperative movements in Latin America.

(iii) Initial Operating Support and Equipment for ICs

\$ 336,000 were provided to finance purchase of equipment for the integral cooperatives and provision of initial operating support to insure rapid growth.

(iv) Feasibility Studies

Grant funds were initially provided to finance feasibility studies for future integral cooperatives. This activity was later carried out with short-term, loan-financed technical assistance, however, and grant funds budgeted for this were used for components b.(i) and b.(iii) above.

The present implementation status of the loan components described above as of July 31, 1979, is as follows (\$000):

<u>Component</u>	<u>Authorized</u>	<u>Disbursed</u>
Revolving Credit Fund	5,453	2,262
Community Assistance Fund	600	296
<u>Cumpesino</u> and Participant Training	497	254
Equipment and Materials	600	451
Technical Assistance	350	22
Total	<u>7,500</u>	<u>3,355</u>

Of the Grant components, all funds available and planned for long-term technical assistance are committed under the contract with RRNA. Funds for participant training have been fully expended and funds for the initial operating support and equipment for the integral cooperatives will be fully expended by the end of CY 1979. Funds programmed under the PL 480, Title III Agreement will be used as planned for future requirements of the ICs.

C. Current Status of Project

From several perspectives, the integral cooperatives can be considered successful. The membership of the three integral cooperatives operating during the 1978/1979 crop year were 100 per cent above projections as shown below:

	<u>Actual</u>	<u>Projected</u>
Cochabamba	1,340	800
Potosí	1,249	500
Santa Cruz	560	260
	<u>3,149</u>	<u>1,560</u>

In addition, each of the three cooperatives showed either higher profits or lower losses as of December 31, 1978, than were projected for that date, as shown below:

	<u>Actual</u>	<u>Projected</u>
Cochabamba	\$ 95,716	\$21,482
Potosí	(573)	(16,528)
Santa Cruz	596	68

Of greatest importance is the impressive record demonstrated by the integral cooperatives in serving many of the poorest farmers in Bolivia. A total of 5,272 farmers have received loans averaging \$ 567, which is one of the lowest average loan sizes of any lending program in Bolivia. These loans have been used to improve production levels for annual crops (primarily potatoes, corn, barley, and rice) as well as for medium-term purposes such as purchase of dairy cattle and oxen.

The ICs have imported fertilizer directly at prices 40 per cent below the local market prices. Two of the integral cooperatives are involved in milk marketing activities without which small farmers would be excluded from dairy operations. They have also successfully defended their members' interests in dealing with the government owned milk processing plant and the large farmer controlled Milk Producers' Association. In the process, payments by small farmers to the Association were reduced by 80 per cent, and milk prices have been raised.

In summary, the integral cooperatives appear to fill a real need in rural Bolivia. They have been welcomed by the small farmers and have demonstrated that they can serve as effective channels for providing services to these farmers.

Despite these results, however, an institutional base has not been laid for the long-run growth of these organizations. Cooperative members and directors are not knowledgeable of their rights and responsibilities, and cooperative managers have yet to demonstrate a required level of competence. Finally, two of the ICs must undertake additional activities before they can achieve financial self-sufficiency.

The following is a description of the principal problem areas currently facing the project. This will be followed by a description of each of the four pilot ICs and a brief analysis of the causes of the principal problems.

## 1. Principal Problem Areas

### a. Uninformed Membership

The members of the integral cooperatives have not been given a fundamental understanding of their rights and responsibilities. Promotion of the first three ICs was carried out by NCDS field promoters who had not received sufficient training concerning

the obligations of cooperative membership. They, therefore, promoted the membership in the integral cooperatives based on the multiple services that would be provided to them. Subsequently, the cooperatives have grown so quickly that many members have been added with little or no training.

In addition, as will be noted below, the administration of the ICs has not been effective at enforcing member compliance with obligations. As examples, farmers have received loans in excess of amounts permitted in relation to their paid in capital. They have not capitalized the required 5 per cent on each subloan received as required by the project during the first year of operation of the cooperatives. Finally, loan funds disbursed in cash for construction of stables and purchase of seeds have often been used for other purposes.

Changing this situation has proven very difficult as cooperative members have obviously been reluctant to accept additional restrictions without additional benefits. The training program developed by NCDS and KRNA has focused on this problem and has made some progress. Nonetheless, more emphasis will be needed on the training effort during the amendment period if members are to understand the role of the cooperatives as well as their own role in the functioning of the coops.

b. Associated Zonal Groups (AZGs) are not functioning

The structure of the ICs remains weak because the Associated Zonal Groups are not performing their prescribed functions. Approval of membership and loan applications from farmers have been frequently given by directors or even employees of the cooperatives without prior approval by the AZGs. Again, this has resulted from an inadequate training effort.

c. Irresponsible Cooperative Directors

Some members of the Boards of Directors of the integral cooperatives have not performed in a responsible manner. At one time, some of the directors of each of the first three ICs were delinquent on subloans from their cooperatives, setting a very poor model for members. Several Board members have violated provisions of the credit policies concerning maximum loan limits and have not made required capital contributions to their cooperatives.

Each of the ICs was promoted in areas where rural labor unions, sindicatos, have set patterns of local leadership over the last three decades. The sindicatos were formed following the 1952 land reform, supposedly to defend farmer interests. They have been used to pressure the GOB for concessions, although the local leadership has often been bought off by the GOB in the past. They have created, however, a model where the leader's role is to pressure the GOB and to receive personal rewards.

Consequently, the directors of the ICs spend considerable effort pressuring NCDS to soften credit policies, and individual directors have repeatedly attempted to use their positions for personal benefit. Board members have often sought to fire managers in order to assume their positions themselves, despite lack of qualifications. Finally, whenever the directors of the cooperatives are confronted with controversial issues, their reaction is to call a general assembly of members rather than exercising their authority. This action is also typical of the sindicatos, but it inhibits the viability of cooperative agribusinesses.

A new, hard-line position by NCDS in recent weeks has greatly improved the compliance of Board members to policies. The delinquent directors of two of the cooperatives have been ousted, and approval of a loan request by a third is being held until delinquent directors are removed.

d. Inadequate Management

The first managers of the ICs in effect were appointed by NCDS. In each case they had been involved in the promotion of the ICs and had therefore established a rapport with the leaders. However, they were proven to lack the required administrative capability, and in two instances were replaced. In addition to changes of managers, other employees often have been replaced at a rate which has permitted little continuity of training.

Much of this is reflected in the administrative problems of the integral cooperatives, such as:

- i. A high rate of loan delinquencies in one of the ICs.
- ii. Weak internal controls.
- iii. Inadequate and tardy monthly and annual financial statements.
- iv. Lack of credit regulations and violation of existing regulations, including those of CROFOC.
- v. Lack of acceptance or understanding by cooperative members and directors of the nature of the cooperative and their specific role in its development, and confusion regarding the obligations and responsibilities of the administrative staff.

A 3 1/2 month training course in cooperative management was held in early 1979 to form a cadre of qualified managers, and the caliber of the managers and other employees currently working in the ICs has shown considerable improvement. Nonetheless, much of the training provided previously must now be repeated.

e. Cooperative Self-Sufficiency

Achievement of economic self-sufficiency has met with obstacles, such as the lack of concern by cooperative members and directors with achievement of this goal, even though it is known that subsidies received to help sustain operations are limited in time and amount.

Decisions made at the cooperative level have not reflected a sufficient commitment to the goal of economic self-sufficiency. Profits from services provided by the cooperatives have a

direct bearing on self-sufficiency, but members want to receive these services at cost. Until there is greater member consciousness of this goal and improved ability on the part of cooperative leaders and employees to convince members of the necessity to provide adequate profit margins, the problem will continue, and will only be resolved through effective and ongoing education programs.

The financial projections prepared by the cooperatives were to provide a guide for the development of the cooperative. However, difficulties with cooperative directors exist in reaching agreement on realistic projections, and until there is greater understanding by board members, administrators and general membership of the reasons and methods for achieving self-sufficiency, it will be difficult to achieve this goal.

Additional studies are presently being carried out in the ICs to improve their financial viability. The economic viability of the two milk marketing cooperatives in particular requires reinforcement. Activities being analyzed include production of cheese for local sale, production of balanced feeds for sale to cooperative members and improving the dairy cattle's diet. A third activity would use the whey, a by-product of cheese manufacturing, to fatten hogs for market.

## 2. Status of Integral Cooperatives

### a. Cooperativa Integral de Servicios "Cochabamba Ltda".

This cooperative was organized in September 1977 in the upper Cochabamba valley. It was designed primarily as a milk producers cooperative, offering services of milk collection, transport and wholesaling; financing purchase of dairy cows and improvement of pastures; and provision of technical assistance on dairy activities. Additionally, production credit was to provide for corn and potato production and the cooperative was to store and market member corn production.

One of the NCDS employees who participated in promotion of the cooperative was hired by the IC as manager. He was removed in February of 1979 due to incompetence and misuse of cooperative equipment. The cooperative failed to implement several key policies in violation of the National Community Development Service's credit regulations, including failure to implement the mandatory capitalization of 5 per cent on each loan to member farmers, and

limiting loan size to less than ten times the amount of each member's paid-in capital. Three members of the Cooperative's Board of Directors have recently been removed from office because they were delinquent on their loan payments to the cooperative, also in violation of the cooperative's by-laws.

The total capital of the Cochabamba cooperative is \$81,722 and delinquency on the \$469,445 in loans granted by the cooperative to members is 8 per cent. A total of 1,225 loans have been made by the cooperative with average loan sizes of \$310 for crop production and \$920 for dairy operations.

The cooperative has not been encouraged to undertake corn storage and marketing activities because cooperative management has not been considered adequate to handle the added responsibility. Since the financial viability of this cooperative based solely on milk production and marketing activities is questionable, feasibility studies are being carried out on proposed complimentary activities that would provide additional income sources for the IC.

The status of this cooperative has greatly improved in recent months with the employment of five graduates of the cooperative managers training course in various positions.

b. Cooperativa Integral de Servicios "Tahuantinsuyo Ltda."

This cooperative was organized in November 1977 in the Pampas de Lequezana region between Sucre and Potosí, in south/central Bolivia. It was designed primarily as a potato producers cooperative, offering services of production credit, storage and marketing, input supply and technical assistance. Additionally, credit was to be provided for barley and wheat production.

Again, an NCDS employee who assisted with promotion of the cooperative was hired as manager; with very much the same results as in Cochabamba. He was removed in May 1979 and a new manager was finally hired in July 1979. Also, as in Cochabamba, credit regulations governing capitalization were ignored. Seven directors of the cooperative are delinquent in loan payments, including the president, and the cooperative therefore does not qualify at this time for a production credit loan. Loans were approved and granted in many instances by the cooperative's accountant rather than by Associated Zonal Groups and the cooperative's credit committee. The RRNA advisors to the cooperative concentrated on input supply and development

of new income producing activities, and gave inadequate attention to on-going management. The accounting records of the cooperative were reconstructed in early 1979.

The total capital of the cooperative is \$78,339 and delinquency on \$680,207 in loans to members is 27 per cent. A total of 789 loans have been given, averaging \$565 for short-term credit and \$614 for medium term.

The feasibility study for the cooperative indicated that potato storage and marketing would be the primary sources of income for the cooperative. Despite this, the first two pilot storage facilities are only now being completed. However, income from input sales has far exceeded projections, and there are favorable prospects for financial self-sufficiency for this cooperative. This cooperative, led efforts to import fertilizer directly in 1978, producing considerable savings for members and profit for the cooperative.

c. Cooperativa Integral de Servicios "Santa Cruz Ltda."

This cooperative was organized in September, 1978, in the area north of Santa Cruz in eastern Bolivia. It was designed as primarily a milk producers cooperative, offering the services of production credit, milk marketing, supply of equipment and materials for dairy operations, and technical assistance. Additional planned activities of financing corn and rice production were temporarily dropped due to depressed and unstable market conditions.

Again, a former NCDS employee was selected as manager although with better results than were experienced in the previous ICs. Credit policies have been followed in this integral cooperative, except that two directors have been delinquent in payments on short-term loans from the cooperative. (They were recently forced to resign). The advisor to this cooperative has managed to influence resolution of most key issues.

The economic basis for this cooperative, however, is weak. It has undertaken only limited milk marketing and production credit and supply operations. Recently, seven directors were expelled from the cooperative because they formed their own milk marketing association, in order to avoid cooperative capitalization charges. As a result, the IC has been kept below the break-even volume for milk marketing. Feasibility studies are presently being carried out on additional income producing activities. In this regard, it appears that corn production and marketing will soon become a viable activity.

The total capital of the cooperative is \$23,889. \$98,826 in loans have been made, but since payments are not yet due there is no measure of delinquency (with the exception of a small number of short-term, "emergency" loans to directors, several of which are delinquent). Loans averaging \$423 have been made to 232 members.

d. Cooperativa Integral de Servicios "Gran Chaco Ltda."

This cooperative was organized in July 1979 in the Humid Chaco area bordering with Argentina. It was designed primarily as an oil seed producers cooperative, offering services of production credit, input supply, mechanization of planting and harvesting, transport of production to market and technical assistance. Some production credit will also be given for corn production.

Promotion of this cooperative began in January 1979, with greater emphasis given to the obligations of farmers as members of a cooperative. The cooperative was organized with a small membership (47 members) in order to avoid the problems encountered with too rapid growth in the other ICs. In many aspects the cooperative is too new to evaluate at this date, but the quality of the elected leaders appears far superior to the other ICs.

3. Analysis of Current Status

The problems noted above are both internal and external to the project. The growth of the integral cooperatives, which exceeded expectations, did not allow for adequate training of all members and directors.

The integral cooperatives were started in areas where farmer labor unions (sindicatos) have been active for years. The leadership of these labor unions received local recognition for their ability to demand and obtain GOB services, and inadequate training was given to change this leadership style for cooperative directors.

NCDS has also had difficulty resisting the type of pressure exerted by this traditional form of rural leadership. The role of NCDS within the GOB has often been to respond to popular pressure for construction of community infrastructure projects. Its role has involved creating a rapport with rural communities, identifying needs and executing projects, with little additional follow-up required. This role is in conflict with its activity as banker and loan collector and promoter of cooperative agribusinesses under the Small Farmer Organizations Project.

The strategy of developing integral cooperatives assumed the ability to recruit professional managers to live in rural areas. The project has not been successful in locating and recruiting competent managers, requiring a greater training effort in this area than anticipated.

The communication and transportation problems of rural Bolivia were also underestimated. It requires two days of travel each way to reach several cooperatives. The difficulties with transportation have made it difficult for RRNA team members to travel to the extent necessary and, as a result, training at the cooperatives has suffered. In addition, most Bolivian farmers speak either Quechua or Aymara, and little Spanish. Foreign advisors have limited capability of providing the required training to cooperative leaders when they must communicate through interpreters.

During the last fifteen months Bolivia has experienced considerable political instability. There have been four presidents, five ministers of Agriculture, and four directors of NCDS. At the same time, Bolivia is encountering an extremely difficult economic situation, and funds for travel and training have been restricted. Under these circumstances, NCDS has not been an effective implementing institution. Its employees have performed under ineffective leadership and have not received critical logistic support. Also, under these conditions the RRNA technical assistance team has not worked at maximum efficiency due to lack of effective counterpart support.

As a summary to the above, the integral cooperatives have shown potential for rapid growth, and have channeled services effectively to the target group. They have illustrated their potential, for example, to channel credit to almost the same number of farmers as the Banco Agrícola de Bolivia has under its Small Farmer Credit Program. They have also been effective at input supply, a function which no other entity presently fulfills.

Apart from the institutional aspects of the project, the farmer members of the integral cooperatives have benefited from the project. While delinquency rates have at times been high, this has been due to poor credit supervision and collection procedures, rather than inability of the farmers to generate sufficient income. Although the baseline data prepared by NCDS at the initiation of the project makes it difficult to estimate impact on farmer income, measures are presently being implemented to gather improved data, which will provide support for future comparisons.

D. Relationship to GOB Agricultural Development Goals and the CDSS

This project is designed to contribute directly to GOB goals for the agricultural sector and consequently also to the USAID agricultural sector goal as stated in the CDSS; i.e., to increase the per capita income and standard of living of the rural poor. In addition to this, there are two primary reasons why this project is given high priority by the USAID Mission.

First, Bolivian agricultural activities in the recent past have been dominated by a paternalistic and often overly controlling national government. Farm production decreased during the late 1960s and early 1970s primarily because the national and local governments imposed strict price controls which favored consumers. Even today, prices for several key agricultural and livestock products are artificially held below world market levels, to the detriment and discouragement of producers. Public sector control of the Bolivian economy was noted in the CDSS as a primary contributing factor to the problems presently being experienced. The creation of a network of private sector, farmer-owned, cooperative agribusinesses is seen as a counter balance to consumer pressure groups. Without this counter balance, the potential for continued urban oriented price relationships remains one of the primary constraints on agricultural development.

The ICs, in addition to defending the terms of trade to farmers, are also to become involved in marketing activities which will reduce market inefficiencies (for example losses due to improper storage) as well as increased value added to production through processing activities. These functions should benefit both consumers and producers.

Secondly, in order for services to be provided on an efficient basis, some form of intermediary rural organization is required. The effectiveness of agricultural extension and credit agents and efforts to improve marketing would be greatly increased if they were not required to work with farmers on a one to one basis. In the long run, some form of viable small farmer organization is required if the majority of Bolivia's more than 500,000 small farmers are to be reached.

A follow-on Small Farmers Organization II project is planned for submission during FY 1982. The intent of that project is to consolidate a national level federation of integral cooperatives and to develop twelve to sixteen additional cooperatives.

The Mission believes that the potential for the integral cooperatives to serve a critical need in Bolivia exists and has been demonstrated. A more intensive effort is required to overcome the present implementation problems in order to prepare the way for an expanded project. If this effort is successful, the Mission believes that the potential for the integral cooperatives to serve a critical need in Bolivia exists and has been demonstrated. A more intensive effort is required to overcome the present implementation problems in order to prepare the way for an expanded project. If this effort is successful, the Mission will propose submission of the follow-on Small Farmer Organization II project in FY 1981 rather than 1982, as additional loan resources will be required for the 1981-1982 crop cycle.

### III. Description of the Amendment

#### A. Rationale and Strategy

In recent months, USAID/B, the RRNA technical assistance team and key NCDS personnel have been analyzing a variety of alternatives for restructuring the project in order to overcome its difficulties, including whether the integral cooperative design itself has been shown to be inappropriate for Bolivia. The conclusion reached is that the problems to date seem to result from implementation difficulties rather than problems with the structure itself, and is based, in part, on the fact that farmers show a high degree of interest in joining the integral cooperatives and are willing to invest in them when the reasons for doing so are adequately explained.

Large, multi-community cooperatives exist elsewhere in Bolivia and function well. Examples of this include the La Merced multi-purpose cooperative in Santa Cruz, with 26,000 members, which has been active for over fifteen years providing a wide variety of services to both urban and rural residents of the central Santa Cruz department. Madre y Maestra, a multi-service cooperative in Tarija with 16,000 members, provides similar services over a wide geographic area. Finally, Agro-Central serves 3,500 farmers in the farming areas of central Chuquisaca. These cooperatives grew much more slowly than the integral cooperatives established under this project, and their development involved intensive educational activities.

Finally, without the benefits of volume operations and professional management provided for in the integral cooperative model, any plan for developing small farmer organizations will require continual subsidies in the form of training and management services from the public sector. The cost of such an open ended effort cannot be justified, nor would such public sector involvement be likely to succeed given the experience to date with this project.

A significant change in the implementation strategy is therefore proposed rather than a change of the model being implemented. USAID/B proposes to reevaluate the new implementation arrangements by October 31, 1980. The evaluation will be based on the following projected outputs. If these have not been reached, this project will be discontinued and a follow-on Small Farmer Organization II project will not be proposed. The outputs are listed corresponding to the existing problems:

Problems

Projected Status, 5/31/81

1. Uninformed cooperative membership
  1. More than 40 per cent of the members of each IC as of 10/31/79 will be aware of all major rights and responsibilities of membership.
  
2. Associated Zonal Groups are not functioning
  2. All AZGs in each IC will be performing prescribed functions in approving membership and credit applications.
  
3. Irresponsible cooperative directors
  - 3.a. No directors of the ICs will be delinquent on his/her loans.
    - b. The directors of each of the ICs will be aware of and accept the separation of functions between elected leaders and employees.
    - c. The directors of each IC will demonstrate a concern for the long-term development of the cooperative as shown by decisions on implementation of credit and loan collection procedures and pricing policies.
  
4. Inadequate management
  - 4.a. Delinquency on all loans made in each IC will be less than 10 per cent (based on delinquent payments divided by payments due).
    - b. Financial statements will be timely and accurate.
      - c. Adequate credit regulations will have been adopted and enforced.
  
5. Weak financial plans
  5. Each IC will have current three year projections of costs and revenues from operations.

Achievement of the projected outputs will be evaluated by an outside consulting firm.

In order to achieve the projected outputs, the following restructuring of project implementation is contemplated.

1. Shift Implementation Responsibility to the Private Sector

As noted in Section II.C. above, several primary causes of present problems can be attributed to the traditional relationship between farm leaders and public institutions, particularly NCDS. The integral cooperatives must become viable private sector institutions with little dependence on the public sector. Additionally, NCDS has not provided sufficient financing for counterpart logistics and the instability of its leadership has been detrimental to the development of the ICs.

In order to find an alternative to NCDS, a feasibility study was carried out in April/May 1979 for a federation of integral cooperatives. It was decided that creation of a federation would be ill advised until the integral cooperatives themselves are led by responsible directors who are thoroughly cognizant of their duties and until the ICs are proven to be both financially and institutionally viable. A large number of other private sector cooperative organizations were analyzed and their potential to temporarily or permanently assume management of the project was considered.

Specifically, a series of discussions were held with leaders of the Bolivian Credit Union Federation (FENACRE), (see Annex IV for an institutional analysis). Alternatives analyzed ranged from modification of FENACRE's structure into that of a multi-service cooperative federation to simple purchase of services by the ICs.

The final preferred alternative was to create a National Office of Integral Cooperatives (NOIC) within FENACRE which would channel all technical assistance and other services (except credit) to the ICs. The ICs would not be affiliated to FENACRE but they would elect members to a consultative committee which would advise the manager of the NOIC. The FENACRE Board of Directors and Manager would set overall policy for the NOIC in agreement with the advisory team, but normal operations would be the responsibility of the manager of the office with the consent and advice of the chief of party. Agreements for technical and financial support for the cooperatives would be signed between the NOIC and the ICs. In some cases, management contracts would be required giving the NOIC authority to appoint a manager for the cooperative until specific problems were solved.

FENACRE is interested in assuming this responsibility because of a long standing interest in expanding activities to the small farmer subsector. Through this mechanism it can gain experience in agricultural activities at almost no risk. Additionally, if FENACRE is to continue to grow, its leaders feel it must expand its activities in rural areas.

The creation of a National Office of Integral Cooperatives within FENACRE is considered an interim solution. After approximately two years, FENACRE may decide to alter its structure and affiliate the ICs or it may decide that an affiliation is not in its interests and therefore abolish the NOIC. At the same time, the ICs may either decide to affiliate with FENACRE or to create their own federation.

If a separate federation is created in the future, it is expected that the personnel of the NOIC would form the core of the federation. Thus, the institutional development activities to be carried out during the interim period would not be lost no matter what the final structure to be adopted.

FENACRE would not assume responsibility to channel loan capital to the integral cooperatives as this responsibility would represent too high a risk for the credit union membership. Unless the ICs affiliate to FENACRE and invest their funds in it, FENACRE would have difficulty justifying to its members the assumption of this risk. The issue of how to channel credit will be considered in Section III.A.2. below.

In order to preserve the interim nature of this solution, USAID/B proposes to use funds provided under the PL 480, Title III project (which have been programmed to cover start-up costs of a federation serving the integral cooperatives) to cover all costs of the NOIC as well as the purchase of services from FENACRE (such as auditing, insurance and printed materials).

The NOIC itself will be staffed with a manager, one cooperative education specialist, and two cooperative administration/credit specialists. In addition to these Bolivian employees, expatriate advisors would assist the office as described under Section III.A.3 below. A financial plan for this activity is shown under Section III.B. below. The Bolivian employees of the NOIC would be the counterparts for the advisors.

## 2. Shift Credit Function to a Banking Institution

As noted above, it is not advisable to shift the management of the revolving credit fund to FENACRE due to the risk this implies because of its different membership composition. At the same time, it is not appropriate to leave this fund under the control of NCDS. NCDS is not a banking institution and this activity conflicts with its normal role within the GOB. As demonstrated by the Application Letters (Annex I), NCDS concurs with this assessment and agrees that the proposed shift is necessary.

The banking institution appropriate to assume this role is the Bolivian Agricultural Bank (BAB). (See Annex IV for an institutional analysis.) The BAB is the official financial institution for the Bolivian public agricultural sector and has developed a good record in lending to small farmers. It is in a position to provide detached, professional analyses of subloan applications and to execute effective credit policies.

The BAB is planning on creating a special small farmer organization lending program at some time in the future, and absorption of the Revolving Credit Fund is a step in that direction. Under the proposed Agricultural Credit Project the BAB will provide funds for agricultural lending to FENACRE and to a large multi-purpose credit union (La Merced). Additionally, a long-term advisor will be contracted under that project as a cooperative credit advisor. The advisor will design policies and procedures for the BAB to increase lending to small farmer organizations under its AID supported Small Farmer Credit Program.

The Fund would be managed by a small (approximately three persons) office located in the central BAB offices in La Paz. Loan requests from the ICs would be channeled through the FENACRE National Office of Integral Cooperatives for analysis and recommendation prior to submittal to the BAB. BAB employees would then analyze the requests for technical soundness and compliance with the relevant credit regulations, and recommend action. If approved, disbursements would be made directly to the IC involved. The BAB would receive 6 per cent interest to cover its operating costs and the risks of the fund. The ICs presently pay 6 per cent for these resources.

A comparison of the interest structure under the present and proposed institutional arrangements is as follows:

	Present:	Proposed:
	Banco del Estado NCDS	Banco Agrícola de Bolivia
AID to GOB	2% / 3%	2% / 3%
GOB to Bank	0%	0%
Banking Fee	2%	6%
Capitalization of Fund	4%	0%
Integral Cooperative Margin	7%	12%
Interest Charged Farmer	13%	18%

The increase in the interest charged the small farmer is required to cover the costs of processing applications and reserve for bad debt losses. Presently, all ICs lose money on their credit operations. The integral cooperatives assume an unrecoverable loan loss of 5 per cent of each year's portfolio, which allows only 2 per cent under present margins to cover all costs of loan processing and supervision. In addition to the real operating losses, with inflation in Bolivia averaging between 15 per cent and 20 per cent annually, the present interest rate structure is unrealistic. Under the proposed Agricultural Credit Project, all interest rates to final borrowers provided by the BAB, FENACRE and La Merced will be raised to a minimum of 18 per cent. Commercial rates are presently between 18 per cent and 21 per cent for this type of activity.

### 3. Restructuring of the Technical Assistance Team

As noted in Section II.C.2, the composition of the nine member RRNA technical assistance team is no longer considered appropriate. The large team now existing was required to institutionalize a cooperative development capability within NCDS itself. As this objective has been eliminated, so has the need for several team members. Since FENACRE has nearly twenty years of experience in cooperative development, no similar effort is required to assist it. The participation of FENACRE also decreases the need for assignment of advisors to each integral cooperative, since FENACRE is capable of providing many necessary services, including technical assistance. The scopes of work of national level advisors will be modified in keeping with the proposed changes noted above. A transition period is envisaged through the end of December 1979, at which time the composition of the team would be as follows (for detailed scopes of work see Annex VI):

a. Chief of Party

Responsible for project implementation including supervision of other team members, liaison with FENACRE, the BAB, and USAID, and contract team administrative matters. He/she will also provide technical assistance on administrative matters to FENACRE and guide future feasibility studies on new services, new ICs, and future expansion of the program.

b. Cooperative Management/Credit Advisors

Two advisors are planned to work with two Bolivian counterparts, in order to provide intensive assistance in resolving existing administrative problems. They will each travel approximately 50 per cent of the time advising the ICs on administrative and credit matters. They will implement a training program for the cooperative employees and directors in their areas of specialty and they will assist the cooperatives with preparation of credit proposals and train them concerning subsequent supervision and collection activities.

c. Cooperative Training and Extension Advisor

This advisor will work with a Bolivian counterpart, both of whom will travel approximately 75 per cent of the time to assist the cooperative extension agents in implementing a training program in cooperative principles, and the rights and obligations for leaders of the Associated Zonal Groups. He/she will give courses on the same subjects for cooperative directors and employees. He/she will also be expected to advise the IC extensionists in implementing courses on technical agricultural subjects. Only one advisor is planned for this activity because FENACRE presently has considerable capability at training cooperative leaders and members in their rights and obligations.

During the interim period prior to the restructuring of the team (planned for December 31, 1979), the existing advisory team will concentrate on resolving existing specific problems in the ICs, and on designing the new institutional procedures and structures described in Section III.A.1 and 2 above.

In addition to the four long-term positions, increased use of short-term technical assistance is contemplated. Specifically, short-term advisors will be required for: periodic

visits to monitor management of the revolving credit fund in the BAB, periodic assistance to the agricultural machinery pool in the Gran Chaco cooperative, and implementation of mechanized accounting systems among others. Since the technical assistance effort will be channeled directly through a private organization (FENACRE) under a direct Mission contract, it is proposed that grant funds be used for this purpose rather than loan funds.

As will be noted in Section III.A.6 below, it is proposed that the TDD for this project (grant and loan) be extended for 18 months. Because of the experience gained to date, the presence of several highly competent individuals on the advisory team, and the delays implied with rebidding the technical assistance contract at this time, it is proposed that the contract with RRNA be extended from May 15, 1980, to August 30, 1981. A justification for non-competitive procurement is included as Annex VII. It is also proposed that the technical assistance contract be converted to a direct AID contract rather than a host country contract. NCDS is no longer an appropriate contracting entity, and FENACRE would not be able to offer all the tax and duty free services required by such a contract.

#### 4. Training Program

In order to remedy the project's problems and to achieve the improved status described above, an intensive training effort is planned. This effort is divided into four levels of activity. Funds will be specifically budgeted for this activity (see Section III.B):

##### a. Cooperative Management

One of the two cooperative credit/management specialists or one of their two counterparts will visit each of the four integral cooperatives at least once a week. These visits will be programmed on a quarterly basis with specific objectives on a monthly basis. During the visits, on-the-job training will be provided to the manager and all administrative employees. Problems will be analyzed jointly, and a written record of all problems and recommendations will be left with the cooperative manager (with a copy for the NOIC). Monthly written reports will be made by the advisor most directly responsible for each cooperative to the Board of Directors of each IC. Failure by the cooperative to implement policies or practices recommended in these reports will require suspension of operating subsidies and/or suspension of credit.

In addition, on an annual basis a course for cooperative managers will be held to both refresh the knowledge of the managers and to develop potential new managers. A quarterly meeting of managers will also be held to discuss common problems.

b. Cooperative Directors

The cooperative management and credit advisors will also have primary responsibility for training cooperative directors. One of the advisors or his/her counterpart will attend each meeting of the directors at each of the cooperatives to provide training in their functions. In addition, courses for the directors of all of the ICs will be held once every two months.

The cooperative training and extension advisor and his/her counterpart will also assist with teaching the cooperative directors about cooperative principles during the bi-monthly training sessions.

c. Associated Zonal Group Leaders

The cooperative training and extension advisor and his/her counterpart will work with the extensionists of each of the ICs to develop bimonthly training plans for the leaders of the AZGs. Once every two months the leaders of all AZGs within an IC will meet for a training session. Between these sessions, the IC extensionists will visit each AZG at least twice to provide specific training and to evaluate its activities. The advisor or his/her counterpart will attend each bimonthly training session and between those sessions accompany extensionists on visits to the AZGs.

The advisor and his/her counterpart will also hold bimonthly training courses for the extensionists of all the ICs together.

d. Membership Training

During visits to the AZGs, the IC extensionists will also hold training meetings for all cooperative members within the AZG. The timing of these meetings will be scheduled in the bimonthly work plan and the content to be presented will be the subject of the training courses held by the advisor for the extensionists. The advisor or his/her counterpart will accompany each extensionist at least once every two months during his/her presentation to cooperative members.

## 5. Role of NCDS

NCDS will cease to participate directly in the implementation of the project, but it will still maintain an advisory role in policy determination. A Consultative Committee will be formed headed by a representative of the Ministry of Agriculture and Campe-sino Affairs (MACA) with representation of NCDS, BAB, USAID and the NOIC. The Committee will meet every three to six months to review progress under the project. The Committee will orient all cooperative development activities of the public agricultural sector, assure maximum coordination of these activities with other development activities in the agricultural sector, and assure that adequate support for the integral cooperatives is given by all entities under MACA's direction. NCDS will have a powerful role to play within this Committee based on its past involvement in this project. This Committee will be created with a twelve-to eighteen-month life span, after which the role of the GOB in agricultural cooperative development will be re-evaluated in relation to future requirements.

In addition, as a result of the assistance provided during the past three years, numerous NCDS employees have developed a thorough knowledge of cooperative development. NCDS proposes to continue to work with various non-integral cooperatives, assisting them to develop loan applications to be submitted to the BAB under its regular credit lines and assisting them with improving their administrative capability.

Finally, NCDS will have responsibility for administering loan project components (excluding the rotating fund) for which commitments already exist, until these activities have been completed.

## 6. Extension of the TDD and Modification of the Project Budget

In order to implement the above activity, it is proposed that the TDD be extended from March 24, 1980, to September 24, 1981, for both the Loan and Grant projects. This would then be a 5 1/2 year project and would allow sufficient time to evaluate the results of the changes proposed by this amendment. If a decision is reached to expand the project, an SFO II proposal would be submitted and new technical assistance services competitively procured prior to the TDD of SFO I, thereby insuring that no lapse in project implementation would occur.

The Financial Plan, Section III.B. of this paper, indicates the requirements for grant funds through the life of the project. In addition, the funding of the components of Loan 511-T-055 would be modified as follows (\$000):

	<u>Present</u>	<u>New</u>
Revolving Credit Fund	5,453	5,825
Community Assistance Fund	600	350
<u>Campesino</u> and Participant Training	497	350
Equipment and Materials	600	525
Short-Term Technical Assistance	<u>350</u>	<u>450</u>
Total	<u>7,500</u>	<u>7,500</u>

B. Financial Plan

In order to carry out the planned activities, a total of \$ 800,000 in additional grant financing will be required. In addition, \$ 500,000 in GOB counterpart financing is contemplated, using funding under the PL 480, Title III project. The breakdown of these requirements is as follows:

Summary Financial Table

(Amounts in \$000)

	<u>FY 80</u>		<u>FY 81</u>		<u>TOTAL</u>	
	<u>AID</u>	<u>GOB</u>	<u>AID</u>	<u>GOB</u>	<u>AID</u>	<u>GOB</u>
Long-Term T.A.	270	-	300	-	570	-
Short-Term T.A.	90	-	70	-	160	-
Training Activities	20	-	20	-	40	-
Equipment - NOIC	-	30	-	-	-	30
Operating Costs - NOIC	-	270	-	200	-	470
Evaluation of Project	<u>-</u>	<u>-</u>	<u>30</u>	<u>-</u>	<u>30</u>	<u>-</u>
Total	<u>380</u>	<u>300</u>	<u>420</u>	<u>200</u>	<u>800</u>	<u>500</u>

1. Long-Term Technical Assistance

The present contract between NCDS and RRNA will be terminated on December 31, 1979, instead of May 15, 1980. This will result in a net savings of 36 person months of technical assistance and \$ 212,000 in grant funds (\$ 90,000 of loan funds scheduled to cover part of the cost of this contract will also be saved). A new contract will be signed directly between USAID/B and RRNA to cover the period between January 1, 1980, and August 31, 1981.

This contract will provide for 84 person months (including four months home office support) of long-term technical assistance at an estimated cost of \$ 782,000.

No additional vehicle or furniture procurement for use by the advisors is contemplated since vehicles and furniture are presently available.

2. Short-Term Technical Assistance

A total of twenty-three person-months of short-term technical assistance are contemplated, at an average total cost of \$ 7,000 per month. Assistance will be required in the following areas:

a. Agricultural Cooperative Credit	3 person months
b. Agricultural Machinery Pools	6 person months
c. Mechanized Accounting System	3 person months
d. Cooperative Management Seminar	4 person months
e. Feasibility Studies	3 person months
f. Others	4 person months
Total	<u>23 person months</u>

3. Training Activities

Funds budgeted for training activities will be used to cover costs of a management training course to be hold each year for present and potential managers. Funds will also be used to cover costs of bimonthly courses for cooperative directors and extension agents. Finally, funds will be used to cover international travel for elected leaders and managers for orientation concerning development of other cooperative movements in Latin America.

4. Start-Up Support and Equipment - National Office of Integral Cooperatives

As noted in Section III.A.1 above, the entire cost of operating the NOIC within FENACRE will be covered with funds available for this purpose under the existing PL 480, Title III agreement. A detailed budget for this support is included as Annex III. The total required is \$ 470,000 in operating costs for 20 months and \$ 30,000 for equipment. Equipment includes office equipment for use by advisors.

In addition, funds will be used to purchase services such as auditing, insurance and use of print shop facilities from FENACRE, as well as compensating FENACRE for administrative costs required for this activity.

5. Evaluation of Project

\$ 30,000 are budgeted to finance a major independent evaluation of the project to be scheduled for June 1981. This evaluation will determine the success of the changes proposed in this amendment, and it will assist the Mission and the GOB in deciding whether to proceed with a Small Farmer Organization II project.

C. Implementation Plan

The implementation plan contemplates three major activities: restructuring of institutional relationships; training of cooperative members, leaders and employees; and creation of a national organization integrating the cooperatives and preparation for expansion of the project.

The restructuring of the institutional arrangements involves creation of the NOIC, hiring employees, creation of the Consultative Committee, approval of operating procedures and purchase of equipment. It also involves creation of the special office in the Bolivian Agricultural Bank, staffing that office, adoption of credit policies and regulations and operating procedures, and development and printing of necessary forms. The Loan and Grant Project Agreement with the Government of Bolivia must be amended, as well as key implementation letters. Finally, the existing contract between RRNA and NCDS must be terminated and a new contract between USAID/B and RRNA must be executed.

The training activity is, in effect, the implementation of the project. The components of this activity include:

1. Development of training plans for each level within each cooperative.
2. Development of a work plan for each advisor and each employee of the NOIC.
3. Implementation of training and work plans.
4. Quarterly or bimonthly revision of work plans, with preparation of quarterly reports to FENACRE and USAID.

Subject matter for training will include: cooperative principles, agricultural techniques, accounting, development of credit proposals, development of new agribusiness services, analysis of marketing plans, procurement of inputs, budgeting and control, personnel management, membership relations, loan recoveries, etc. An additional employee specifically in charge of member cooperative education will be added to each cooperative for twelve months.

The third activity involves strengthening the capabilities of the NOIC and evaluating whether FENACRE, or a separate integral cooperative federation, would be most appropriate for the future affiliation of the integral cooperatives. Finally, promotion and creation of three new ICs would be undertaken if the problems in the existing ICs are resolved.

The following is a schedule for implementation of these activities.

Implementation Schedule

- |   |          |
|---|----------|
| 1. Submission of Amended PP                             | 9/79     |
| 2. Approval of Amended PP and authorization FY 80 funds | 10/79    |
| 3. Amendment of Loan and Grant Agreements               | 11/79    |
| 4. Negotiation and signing contract USAID/B - RRNA      | 11-12/79 |
| 5. Creation and staffing of special office in BAB       | 11/79    |
| 6. Creation and staffing of the NOIC                    | 12/79    |

- |  |  |
|--|--|
| 7. Adoption of new credit policies and regulations and operating procedures by BAB | 12/79                                  |
| 8. Development and printing of forms   | 12/79                                  |
| 9. Termination of existing contract NCDS - RRNA                                    | 12/79                                  |
| 10. Creation of Consultative Committee   | 1/80                                   |
| 11. Development of training plans for each IC                                      | 1/80                                   |
| 12. Approval by FENACRE and USAID of Operating Procedures                          | 2/80                                   |
| 13. Purchase of equipment  | 2/80                                   |
| 14. Development of work plans for advisors and NOIC employees                      | 2/80                                   |
| 15. Implementation of training and work plans                                      | 3/80-8/81                              |
| 16. Quarterly revisions of work plans and quarterly reports                        | 4/80; 7/80; 10/80;<br>1/81; 4/81; 8/81 |
| 17. Evaluation of appropriate integrating organization                             | 5/81                                   |
| 18. Affiliation of ICs with FENACRE or creation of new federation                  | 7/81                                   |
| 19. Promotion of new ICs - one<br>- two additional                                 | 7/80<br>7/81                           |
| 20. Final Project evaluation   | 6/81                                   |

D. Recommendation

That \$ 800,000 of new grant funds be provided in FY 1980 and FY 1981 as follows:

FY 1980	\$ 380,000
FY 1981	<u>420,000</u>
Total	<u>\$ 800,000</u>

**MINISTERIO DE ASUNTOS CAMPESINOS Y AGROPECUARIOS  
SERVICIO NACIONAL DE DESARROLLO DE LA COMUNIDAD**

**LA PAZ - BOLIVIA**

**ANNEX I  
Page 1 of 5.**

**UBICACION:**

AV. COLONNE 2286, cno. 7, GUACHALLA  
CASILLA POSTAL 1397  
CARTEL: "DESCOMBIEN"-----

**TELEFONOS:**

CENTRAL	179766
	364624
DIRECCION	361739
DIR. NAL. DE OPERACIONES	764625
ADMINISTRACION	154138
PLANIFICACION	373367
UNC. CAMPESINAS - RANIO	764626
INSTITUTO INDICISTA	170720
RELACIONES PUBLICAS Y	
ASISTENCIA LEGAL	347934
COMUNICACIONES - RENDIS Y	
COMUNICACIONES - RENDIS Y	365905
ASISTENCIA D'AYUD	359191
CONSULTORA R. RAIBAN	154134

En respuesta sirven citar

Arch. Gral. NP.

**"AÑO DEL CENTENARIO DEL LITORAL CAUTIVO"**

Señor  
Abe M. Peña  
Director  
USAID/Bolivia  
Presente.-

Señor Director:

Como resultado de la evaluación conjunta efectuada entre personeros de su Misión y del Servicio Nacional de Desarrollo de la Comunidad, se ha acordado que es oportuno una transformación de las relaciones institucionales bajo el Proyecto 511-T-055.

Creemos que el papel que corresponde al Estado Boliviano en cuanto al movimiento cooperativo tiene tres etapas. Se debe empezar como patrocinador, continuar como colega y terminar como amigo. Aunque el desarrollo del movimiento de cooperativas integrales no ha llegado al grado de madurez que merece la tercera etapa mencionada anteriormente, tampoco conviene que se mantenga artificialmente de aquí en adelante las relaciones de la primera etapa.

La función del SNDC en el desarrollo de las comunidades rurales trasciende la atención incesante a solo cuatro zonas determinadas del país. La promoción de las cooperativas integrales existentes comenzó como proyecto piloto, con el fin manifiesto de independizar dichas organizaciones del Servicio a la brevedad posible.

Al mismo tiempo creemos que la participación del NACA es imprescindible en la fijación de política y normas para el futuro desarrollo del movimiento Cooperativo Agrario.

En estos conceptos, creemos que las cooperativas integrales deben ser asesoradas en el futuro por medio de una institución privada, para quitarles la imagen de hijas predilectas del sector público. Después de un análisis detenido por personeros del SNDC de

# MINISTERIO DE ASUNTOS CAMPESINOS Y AGROPECUARIOS SERVICIO NACIONAL DE DESARROLLO DE LA COMUNIDAD

LA PAZ-BOLIVIA

ANNEX I  
Page 2 of 5.

OFICINAS.

AV. DOMINICAN 2100, Esq. V. UZACHALLA  
CASILLA POSTAL 1297  
CALLE: "INDEPENDENCIA"

TELEFONO:

SECRETARIA	129186
	154424
DIRECCION	141739
OP. NAC. DE OPERACIONES	144275
ADMINISTRACION	151148
PLANIFICACION	151543
ORG. CAMPESINAS - RADIO	144420
INSTITUTO INDICISTA	170770
RELACIONES PUBLICAS Y	
ASESORIA LEGAL	141874
CONSTRUCCIONES-RINCONES Y	
CAMBIOS TECN. ALPACAMA	161999
ASESORIA LOGO	178191
CONSULTORA R. NATHAN	134145

En respuesta al vno. 484

Arch. Genl. Nº.

2.

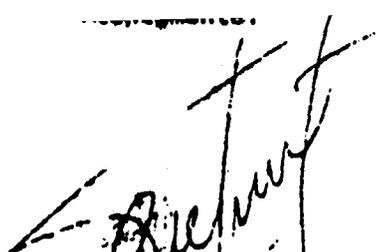
la Consultora Robert R. Nathan y de USAID/B., creemos que como medida transitoria, el apoyo a las cooperativas integrales debe ser canalizado por medio de una oficina adscrita a la Federacion Nacional de Cooperativas de Ahorro y Credito (FENACRE), o bien como una oficina independiente pero en ambos casos bajo la tutela de un Consejo Consultivo dirigido por el MACA e integrado por el SNDC, BAB, USAID y la Oficina Nacional.

Este Consejo normará las políticas operativas del proyecto, esta relación será revisada después de un año a 18 meses para determinar si conviene convertirla esta oficina en permanente, o buscar la afiliación de las cooperativas integrales a su propia federación.

Con relación al fondo CROFOC, creemos oportuno tambien lograr su transferencia al Banco Agrícola de Bolivia para asegurar su incorporación permanente dentro del sector público agrícola. Los términos de esta transferencia será motivo de un análisis profundo por personas del SNDC y el mismo BAB, siempre con la participación de USAID/B.

Por su parte, el Servicio Nacional de Desarrollo de la Comunidad continuará patrocinando el desarrollo de movimiento cooperativo por medio de la prestación de asesoría a las cooperativas agrícolas y otras organizaciones no integrales, con el fin de promover condiciones propicias para la creación de futuras organizaciones.

Confianza con la concurrencia de la Misión de AID en Bolivia, con los conceptos delineados anteriormente, le solicitamos su cooperación en las múltiples modificaciones requeridas para convertirlo en un programa.

  
Dr. Oscar Topelli Justinián  
Director del Servicio Nacional  
de Desarrollo de la Comunidad

"AÑO DEL CENTENARIO DEL LITORAL CAUTIVO"

La Paz, 13 de Septiembre de 1979  
DASG 1863/79

Señor  
Abe M. Peña  
Director Misión Económica de los  
Estados Unidos en Bolivia

P r e s e n t e

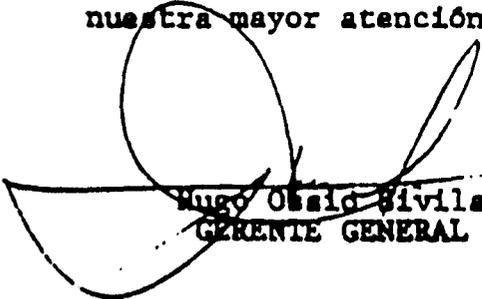
Señor:

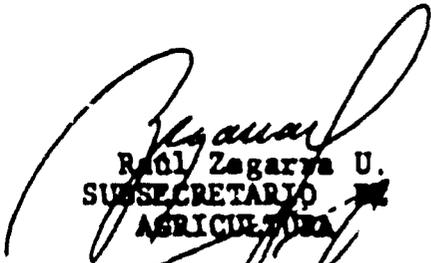
Mediante la presente, planteamos a usted que los fondos del Crédito Rotativo de Fomento de Organizaciones Campesinas (CROFOC) (Préstamo USAID 511-T-055), administrados por el Servicio Nacional de Desarrollo de la Comunidad (SNDC), sean transferidos del Banco del Estado y del SNDC al Banco Agrícola de Bolivia.

El manejo de dichos fondos se efectuaría por medio de un equipo técnico pequeño a nivel de las oficinas centrales del BAB. Los fondos CROFOC serán utilizados únicamente para el apoyo a las cooperativas integrales promovidas en el pasado por el SNDC. Toda decisión sobre la otorgación de subpréstamos bajo dicho fondo será responsabilidad única del BAB, bajo un Reglamento de Crédito sujeto a la aprobación previa de USAID/B.

El Banco Agrícola de Bolivia percibiría intereses del 6 por ciento anuales sobre los subpréstamos (sin comisiones, impuestos u otros cargos adicionales). Los fondos CROFOC se convertirán en capital propio del BAB.

Con este motivo, saludamos a usted con nuestra mayor atención.

  
Hugo Ossio Sivila  
GERENTE GENERAL

  
Raúl Zagarza U.  
SUBSECRETARIO  
AGRICULTURA

V° B°   
Dr. Oscar Tonelli  
Director SNDC

# FEDERACION NACIONAL DE COOPERATIVAS DE AHORRO Y CREDITO DE BOLIVIA



Dir. Telefónica: FENACRE

OFICINA CENTRAL: Jordan 3234 - Telefonos 2-1374 - 2-2061 - Casilla 929 - Cochabamba-Bc  
 OFICINA LA PAZ: Juan de la Riva esq. Bueno - Telefono 2-8564 - Casilla 3190  
 OFICINA SANTA CRUZ: Calle 24 de Septiembre 689 - Telefono 2-4378 - Casilla 1117

ANNEX I  
Page 4 of 5.



Sucre, 15 de septiembre de 1979

Señor  
 Abe M. Peña  
 DIRECTOR  
 MIS. ECONOMICA DE LOS  
 ESTADOS UNIDOS EN BOLIVIA  
 La Paz



Estimado señor Director:

Mediante la presente, nos permitimos informarle de la Resolución tomada por el Consejo de Administración de la Federación Nacional de Cooperativas de Ahorro y Crédito (FENACRE) referente al apoyo que estaría en condiciones de prestar a las cooperativas integrales (CIs) promovidas por el Servicio Nacional de Desarrollo de la Comunidad.

En atención a las conversaciones sostenidas anteriormente, FENACRE propone lo siguiente:

1. La creación, por parte de FENACRE, de una Oficina, con jurisdicción en todo el país, para prestar asistencia técnica a las Cooperativas Integrales, capacitar a sus líderes y funcionarios, prestar y/o coordinar los servicios de Auditoría, Seguros y Suministro de materiales impresos, realizar labores de promoción, etc.
2. La Oficina estará encargada de canalizar con el debido análisis, las solicitudes de crédito de las Cooperativas Integrales a la institución financiera pertinente. La Administración de los Fondos del Crédito no quedaría a cargo de la Oficina, sino hasta que se consigan nuevos financiamientos.
3. Las Cooperativas Integrales en Consejo Consultivo que, en sujeción a normas a establecer por el Consejo de Administración de FENACRE, funcionarían como entidad de enlace entre las Cooperativas Integrales y la Oficina.
4. Los Costos de Financiamiento de la Oficina, deberían ser cubiertos por USAID/BOLIVIA, incluyendo un costo indirecto (Overhead) para cubrir la incidencia que la creación y funcionamiento de la Oficina ocasionará en los costos administrati-

FILE	7 MP
Dir.	✓
Dir.	
Dir.	
AC	
D.	✓
E	
E	✓
C	
H.	
HVA	
ROD	✓
ETM	
AAG	
GR	
EST	9/28
TRM	

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FEDERACION NACIONAL DE COOPERATIVAS  
DE AHORRO Y CREDITO DE BOLIVIA

Sr. Aba M. Peña

2.-

ANNEX I

Page 5 of 5.

vos corrientes de FENACRE, durante la vigencia del convenio -  
(enero 1980 - agosto 1981) cuyo costo sería de \$us. \_\_\_\_\_  
200.000.00 (DOSCIENTOS MIL 00/100 DOLARES AMERICANOS).

5. Su equipo de asesores técnicos externos contratados y pagados directamente por USAID/BOLIVIA, prestaría la Asistencia Técnica que sea indispensable a la Oficina.
6. En el transcurso de los dos años siguientes las Cooperativas Integrales resolverán voluntariamente la conveniencia o inconveniencia de afiliarse a FENACRE.

El Consejo de Administración de FENACRE ha llegado a la convicción de que, sobre las bases propuestas, contribuirá positivamente al fortalecimiento de las cooperativas integrales, y a la expansión del Movimiento Cooperativo Boliviano.

Con este motivo, aprovechamos la oportunidad para saludarle, muy atentamente,

  
Dr. Orlando Bravo Boruaco  
PRESIDENTE

OVC/igpl

cc. Oficina Regional La Paz

  
Dr. Pedro Antonio Tellez  
GERENTE GENERAL

DRAFT PROJECT AUTHORIZATION

(Amendment No. 1)

Name of Country : Bolivia

Name of Project : Small Farmer Organizations

Number of Project: 511-0452

Pursuant to Section 103 of the Foreign Assistance Act of 1961, as amended, I hereby amend the Project Authorization and Request for Allotment of Funds Part II for the above project dated August 31, 1977, by deleting the entire text of same and substituting in lieu thereof the following:

- "1. Pursuant to Section 103 of the Foreign Assistance Act of 1961, as amended, I hereby authorize the Small Farmer Organization project for Bolivia involving planned obligations of not to exceed \$ 800,000 in grant funds (which supplements previously authorized and approved financing: a loan of \$ 7.5 million and grants totalling \$ 3.425 million) over a two-year period from date of authorization, subject to the availability of funds in accordance with the AID OYB allotment process, to help in financing foreign exchange and local currency costs for the project.
- "2. The project consists of providing technical assistance and training to assist in the development, strengthening and promotion of integral cooperatives in rural Bolivia.
- "3. An Amendment to the existing Project Grant Agreement which may be negotiated and executed by the officer to whom such authority is delegated in accordance with AID regulations and Delegations of Authority shall be subject to the following essential terms and covenants and major conditions, together with such other terms and conditions as AID may deem appropriate.

a. Source and Origin of Goods and Services

Goods and services, except for ocean shipping, financed by AID under the project shall have their source and origin in Bolivia or in the United States, except as AID may otherwise

agree in writing. Ocean shipping financed by AID under the project shall, except as AID may otherwise agree in writing, be financed only on flag vessels of the United States.

b. Conditions Precedent to Initial Disbursement

Prior to any disbursement, or the issuance of any commitment documents under the Project Grant Agreement, the Cooperating Country shall furnish in form and substance satisfactory to AID:

- (i) Evidence of the establishment within the National Federation of Credit Unions (FENACRE) of a national office of integral cooperatives (NOIC) with appropriate staffing and funding;
- (ii) Evidence of the transfer of the Revolving Credit Fund (CROFOC) from the National Community Development Service (NCDS) to the Bolivian Agricultural Bank (BAB); and
- (iii) BAB regulations governing all phases of administration of and lending from CROFOC.

c. Covenants

The Cooperating Country shall covenant:

- (i) To conduct annual audits of the integral cooperatives receiving subloans from CROFOC at no expense to the cooperatives; and
- (ii) To submit by December 31, 1980, a long-range plan for developing a private sector, financially viable rural cooperative structure, which plan specifies how credit and technical assistance will be made available to rural cooperatives and defines the role of each institution within the proposed structure."

Except as amended hereby, the Project Authorization and Request for Allotment of Funds Part II, dated August 31, 1977, remains in full force and effect.

\_\_\_\_\_  
Administrator

\_\_\_\_\_  
Date

DRAFT LOAN

(Amendment No. 2)

Name of Country : Bolivia

Number of Project: 511-T-055

Pursuant to Section 103 of the Foreign Assistance Act, as amended, and delegations of authority issued thereunder, I hereby amend the Loan Authorization for the above project dated December 31, 1975, and previously amended March 22, 1976, as follows:

1. In the introductory paragraph, delete the following amounts, "\$ 6.0 million" and "\$ 1.5 million."
2. Also in the introductory paragraph, delete the phrase, "National Community Development Service (NCDS)" and substitute in lieu thereof, "participating Integral Cooperatives."
3. In Section II.F., delete subparagraphs 2, 3, and 7.

Except as amended hereby and in Amendment No. 1, said Loan Authorization remains in full force and effect. I hereby authorize the negotiation and execution of an appropriate amendment to the Loan Agreement for the above Loan by the officer to whom such authority has been delegated in accordance with AID regulations and Delegations of Authority in order to effect changes made necessary by this Amendment No. 2.

\_\_\_\_\_  
Administrator

\_\_\_\_\_  
Date

FINANCIAL PLANS

1. Long-Term Technical Assistance

<u>Component</u>	<u>Decrease Present Contract by 4 1/2 months</u>	<u>New 20 Month Contract</u>	<u>Net In- crease.</u>
Salaries and Benefits	(133)	288	155
Overhead	( 50)	148	98
Allowances	( 30)	87	57
Travel and Transport.	( 11)	66	55
Equipment and Materials	-	8	8
Other Direct Costs	( 57)	109	52
Fees	( 21)	47	26
Inflation and Contingencies *	-	29	29
<b>TOTAL</b>	<b>(302)</b>	<b>782</b>	<b>480</b>

\* Salary increase of 7% after 12 months allowed for under Salary and Benefits line item.

	<u>FY 80</u>	<u>FY 81</u>
<u>New Contract</u>		
1/1/80 - 12/31/80	478	
1/1/81 - 8/31/81		304
<u>Old Contract</u>	<u>212</u>	<u>      </u>
	266	304
Rounded	<u>270</u>	<u>300</u>

2. Short-Term Technical Assistance

	<u>FY 80</u>	<u>FY 81</u>
Thirteen person months	\$90,000	
Ten person months		\$60,000

3. <u>Start-Up Costs - NOIC (\$000)</u>	<u>FY 80*</u>	<u>FY 81**</u>
a. Salaries and Professional Fees	84	62
b. Benefits	27	20
c. Per-diem and travel	26	19
d. Rent and Office Supplies	20	15
e. Vehicle and Equipment Maintenance and Repair	2	1
f. Purchase of FENACRE auditing, in- surance and training	25	18
g. Contingency	43	33
h. Overhead fee to FENACRE		
	<u>43</u>	<u>32</u>
TOTAL	<u>270</u> =====	<u>200</u> =====

\* Covers 12 months

\*\*Covers 8 months with 10% inflation factor

4. Equipment Costs NOIC

Office Equipment	\$10,850
Office Furniture	9,450
Audio-Visual Equipment	6,300
Contingency	<u>3,400</u>
	\$30,000

5. <u>Training Activities</u>	<u>FY 80</u>	<u>FY 81</u>
- Cooperative Management Courses (1 per year)	\$13,000	\$13,000
- Cooperative Director's Courses (6 per year)	1,000	1,000
- Cooperative Extensionist Courses (6 per year)	1,000	1,000
- International travel/orientation Cooperative leaders	5,000	
Cooperative managers		<u>5,000</u>
	<u>\$20,000</u> =====	<u>\$20,000</u> =====

PROJECT DESIGN SUMMARY  
LOGICAL FRAMEWORK

(INSTRUCTION: THIS IS AN OPTIONAL FORM WHICH CAN BE USED AS AN AID TO ORGANIZING DATA FOR THE PAR REPORT. IT NEED NOT BE RETAINED OR SUBMITTED.)

ANNEX V  
Page 1 of 5  
Life of Project: From FY 75 to FY 81  
Total U.S. Funding \$4,146,851  
Date Prepared: 9/17/79

Project Title & Number: SMALL FARMER ORGANIZATION (511-0452 511-T-055)

PAGE 1

NARRATIVE SUMMARY	OBJECTIVELY VERIFIABLE INDICATORS	MEANS OF VERIFICATION	IMPORTANT ASSUMPTIONS
<p>Program or Sector Goal: The broader objective to which this project contributes:</p> <p>To increase the per capita income and to improve the standard of living of rural people.</p>	<p>Measures of Goal Achievement:</p> <p>Average annual family income of 6,000 members of integral cooperatives will have increased by 75% from present average of \$780 as of December 1981.</p>	<p>I.C. surveys on yearly basis using baseline data collected at beginning of project for comparative purposes.</p>	<p>Assumptions for achieving goal targets:</p> <p>The availability of credit and technical assistance will bring about improvements in agricultural practices thereby increasing production.</p> <p>That GOB agricultural pricing policy during the project implementation period does not discourage agricultural production.</p> <p>That climate conditions do not preclude anticipated production increases.</p>

PROJECT DESIGN SUMMARY  
LOGICAL FRAMEWORK

ANNEX V  
Life of Project: Page 2 of 5  
From FY 72 to FY 81  
Total U.S. Funding \$ 4,146,851  
Date Prepared: 3/17/79

Project Title & Number: SMALL FARMER ORGANIZATIONS (511-0492 and 511-T-055)

NARRATIVE SUMMARY	OBJECTIVELY VERIFIABLE INDICATORS	MEANS OF VERIFICATION	IMPORTANT ASSUMPTIONS
<p><b>Project Purpose:</b></p> <p>To establish an independent, viable cooperative movement, including development of four base-level integral coops (ICs).</p>	<p>Conditions that will indicate purpose has been achieved: End of project status.</p> <p>1. Four integral (IC) base-level product-specific coops established in Departments of Cochabamba, (dairying), Potosí (potato), Santa Cruz (dairying), and Tarija (oil seed):</p> <ul style="list-style-type: none"> <li>- Each IC with average total membership of 1,500.</li> <li>- Each IC providing a full complement of services, through Associates Zonal Groups (AZGs), to integrate vertically all activities related to its product line. IC providing professional management, mechanized accounting, veto as necessary on AZG credit decisions, input distribution, communication with markets, storage and processing facilities, technical assistance in production for farmers, management of loan applications and contracts with ICI.</li> <li>- For each IC, 10-20 Associated Zonal Groups (AZGs) making all decisions affecting farmers and electing board of directors to serve on the ICs. Each AZG approving membership and credit applications for farmers from community, conducting cooperative educational activities for members, coordinating course with external technicians in Agricultural practices, supervising and</li> </ul>	<p>Integral Cooperative records</p> <p>Cooperative records</p> <p>Cooperative records</p>	<p>Assumptions for achieving purpose:</p> <p>That the integral cooperatives will be able to charge the margins and achieve the volumes projected in feasibility studies.</p> <p>That climatic conditions do not preclude anticipated production increases.</p>

PROJECT DESIGN SUMMARY  
LOGICAL FRAMEWORK

ANNEX V  
Life of Project: Page 3 of 5  
From FY 75 to FY 81  
Total U.S. Funding \$4,146,851  
Date Prepared:

Project Title & Number: SMALL FARMER ORGANIZATIONS (511-0452 and 511-T-055)

PAGE 2

NARRATIVE SUMMARY	OBJECTIVELY VERIFIABLE INDICATORS	MEANS OF VERIFICATION	IMPORTANT ASSUMPTIONS
<p>Project Purpose:</p>	<p>Conditions that will indicate purpose has been achieved: End of project status.</p> <p>collecting loans to community members.</p> <p>- ICs require no subsidies for operating costs.</p> <p>2. Total sub-loans from revolving credit funds will be \$5,825,000.</p> <p>3. The following indicators of loan performance will have been achieved:</p> <p>a. No. of subloans to ICs 4</p> <p>b. Average size of subloans to ICs. \$ 1,000,000</p> <p>c. Default rate (subloans made by ICs) 5%</p> <p>d. Delinquency rate(sub-loans made by ICs) 10%</p> <p>e. No. of subloans/IC 1,500</p> <p>f. Average size of subloans made by ICs 500</p>		<p>Assumptions for achieving purposes:</p>

PROJECT DESIGN SUMMARY  
LOGICAL FRAMEWORK

Life of Project:  
From FY 75 to FY 81  
Total U. S. Funding \$4,146,851  
Date Prepared: 9/1/79

Project Title & Number: SMALL FARMER ORGANIZATIONS (511-0452 and 511-T-055)

NARRATIVE SUMMARY	OBJECTIVELY VERIFIABLE INDICATORS	MEANS OF VERIFICATION	IMPORTANT ASSUMPTIONS								
<p>Outputs:</p> <ul style="list-style-type: none"> <li>a. Person-years of technical assistance.</li> <li>b. Training courses.</li> <li>c. University training.</li> <li>d. Four integral cooperatives which are adequately equipped and staffed.</li> <li>e. Revolving credit sub-loans to cooperatives.</li> </ul>	<p>Magnitude of Outputs:</p> <ul style="list-style-type: none"> <li>a. Forty-five technician years.</li> <li>b. Training courses held for:               <ul style="list-style-type: none"> <li>- Cooperative management (2)</li> <li>- Cooperative Directors (12)</li> <li>- AZG leaders (12)</li> <li>- Membership (bi-monthly)</li> </ul> </li> <li>c. Two-person years of university training.</li> <li>d. Office equipment including desks, chairs, meeting room tables, typewriters, calculators, accounting machine, and radio. Vehicles for transportation of managers and other personnel. Staff including manager, accountant, secretary/cashier and field extensionists.</li> <li>e. Total loan portfolio. (\$000)               <table style="margin-left: 40px; border-collapse: collapse;"> <tr> <td style="text-align: center; padding-right: 10px;"><u>77</u></td> <td style="text-align: center; padding-right: 10px;"><u>78</u></td> <td style="text-align: center; padding-right: 10px;"><u>79</u></td> <td style="text-align: center;"><u>80</u></td> </tr> <tr> <td style="text-align: center;">940</td> <td style="text-align: center;">2,780</td> <td style="text-align: center;">4,290</td> <td style="text-align: center;">5,825</td> </tr> </table> </li> </ul>	<u>77</u>	<u>78</u>	<u>79</u>	<u>80</u>	940	2,780	4,290	5,825	<ul style="list-style-type: none"> <li>a. USAID records</li> <li>b. NOIC records</li> <li>c. USAID records</li> <li>d. USAID and I.C. records</li> <li>e. BAB records</li> </ul>	<p>Assumptions for achieving outputs:</p>
<u>77</u>	<u>78</u>	<u>79</u>	<u>80</u>								
940	2,780	4,290	5,825								

PROJECT DESIGN SUMMARY  
LOGICAL FRAMEWORK

ANNEX V  
Page 5 of 5

Life of Project:  
From FY 75 to FY 81  
Total U.S. Funding \$4,146,851  
Date Prepared: 9/27/79

Project Title & Number: SMALL FARMER ORGANIZATIONS (511-0452 and 511-T-055)

PAGE 4

NARRATIVE SUMMARY	OBJECTIVELY VERIFIABLE INDICATORS	MEANS OF VERIFICATION	IMPORTANT ASSUMPTIONS
Inputs:	Implementation Target (Type and Quantity)		Assumptions for providing inputs:
I. <u>AID</u>			
A. <u>Loan Funded</u>		USAID and GOB records.	
1. Revolving credit fund	5,825,000		
2. Community Assistance Fund	350,000		
3. Training	350,000		
4. Equipment and Materials	525,000		
5. Short-term T.A.	450,000		
B. <u>Grant Funded</u>			
1. Technical Assistance			
a. Long-term	1. a. 570,000		
b. Short-term	b. 160,000		
2. Training	2. 40,000		
3. Evaluation	3. 30,000		
II. <u>GOB</u>			
1. Equipment	1. 30,000		
2. Operating expenses	2. 470,000		Title III funds will be available as scheduled.

SCOPE OF WORK

A. Chief of Party

The Chief of Party will be based in the office of the host agency and will be the only member of the advisory group to maintain direct contact with the host agency. He/she will:

1. Direct coordinate and supervise the activities of the expatriate and national members of the advisory group in order to achieve project goals.
2. Manage the office of the advisory group/implementing team and assure that the office is functional.
3. Conduct periodic on site evaluations to assure that advisory group members are satisfactorily performing their duties.
4. Provide technical assistance as required to the host agency.
5. Prepare, as required, scopes of work, work plans, and reports.
6. Ensure effective communication between the advisory group, the host agency, and USAID.
7. Be responsible for the supervision of management contracts with the Integral Cooperatives.
8. Guide preparation of feasibility studies for new services, new integral cooperatives and for future federation structure.
9. Recruit and hire, in consultation with the FENACRE Manager, the Director of the Decentralized Office and assist him/her to recruit and hire other personnel.
10. Participate in meetings of the consulting committee of Integral Cooperatives.
11. Prepare quarterly reports detailing the current status, progress and problems of the program, and supervise preparation of work plans for each team member.
12. The Chief of Party is ultimately responsible for the conduct of the entire program.

B. Administration/Credit Advisors

Two Administration/Credit Advisors will work directly with the Integral Cooperatives; no duties at the national level with the host agency are contemplated for these advisors. They will be required to travel approximately 50 per cent of the time. The Administration/Credit advisors will work with national counterparts. The counterparts will complement the skills of the Administration/Credit advisor and will be responsible for tasks similar to those assigned to the expatriat advisors.

Assist and advise the Integral Cooperatives in the following:

1. Implement and monitor a uniform accounting system in the integral cooperatives.
2. Develop and implement a system of professional administration in the Integral Cooperatives which includes a personnel policy, pricing policies, information systems, budgets, internal controls, etc.
3. Insure that individual cooperative employees have an understanding of their specific duties and are able to effectively carry them out.
4. Assure that cooperative accounting is current.
5. Train the salaried personnel of the Integral Cooperative as well as the administrative council, the vigilance committee and the credit committee concerning administrative and credit matters.
6. Assist in the commercialization of the cooperatives production and in the procurement of agricultural inputs.
7. Insure that the cooperative abides by internal and national credit regulations.
8. Prepare and implement a uniform credit system for the Integral Cooperatives including appropriate paperwork.
9. Assure that the Integral Cooperatives have an appropriate policy and efficient system for credit recovery.

10. Coordinate closely with the training advisor to ensure that cooperative extensionists are adequately prepared for credit planning and credit recovery.

11. Assure that subloan requests reflect the needs of the campesinos, are reasonable and are efficient.

12. Review cooperative credit requests and monitor cooperative credit activities.

13. Contribute to both cooperative and national training courses as required.

14. Prepare quarterly reports detailing the current status, progress, and problems of his efforts, and prepare quarterly work plans.

15. Perform other duties as assigned by the Chief of Party.

C. Training Advisor

The Training advisor will work directly with the Integral Cooperative membership and with the extension agents. No duties at the national level are contemplated for this advisor. This advisor will be required to travel at least seventy-five per cent of the time. The Training advisor will work with a national counterpart who will complement the skills of the Training advisor and who will perform similar duties as the Training advisor.

The duties of the Training advisor are as follows:

1. Assure that all training activities in each Integral Cooperative are both developed and carried out effectively. The focus should be on training cooperative extension agents and on cooperative members at the GOB level.

2. Prepare and implement cooperative and agricultural training programs at the appropriate level for the specific target group.

3. Assist the cooperative extension agents in developing appropriate packages of agricultural practices.

4. Assist the cooperative extension agents in developing and implementing practical work plans.

5. Participate with cooperative extension agents in training activities to ensure their proper execution.
6. Present quarterly reports detailing the current status, progress and problems of the training effort, and develop quarterly work plans.
7. Prepare appropriate materials, as required, for training.
8. Perform other tasks as assigned by the Chief of Party.

JUSTIFICATION FOR NON COMPETITIVE PROCUREMENT

Robert R. Nathan & Associates (RRNA) has been providing technical services to the National Community Development Service (NCDS) under the Small Farmer Organizations Project since May 1976. Prior to signing a contract with the RRNA, NCDS followed normal competitive procedures by publishing an RFP, evaluating proposals received, and awarding and negotiating a contract. A total of three firms participated in the competition, with the proposal of RRNA being ranked first.

The technical services being provided under the Project has as its objective assisting in the development of a viable integral cooperative movement, and is providing assistance in agriculture credit, cooperative management, agricultural extension, administration and promotion, and training. As stated in the Amendment, the original Project purpose has not been changed. Rather, based on an assessment that the implementation methodology was inappropriate, a new implementation procedure has been proposed. The scope and nature of the technical services must be modified to conform with the new implementation procedure, but, as with the Project, its original objective has not been changed. Thus, although the technical services contract will be amended, RRNA will not be requested to provide services outside the objective of their original contract.

While proposing a significant change to Project implementation, the Amendment allows little time for the new procedures to show results (approximately 18 months). Requiring competition for the provision of technical services during this period would effectively reduce the amount of time available for technical assistance to a maximum of nine months. Past Mission experience with the steps involved in the competitive process -- developing and publishing an RFP, evaluating proposals received, awarding, negotiating and signing a contract, and arrival of the advisory team -- indicates that a minimum of nine months is required to complete the process. The Mission believes achievement of the objectives as stated in the Amendment will require the full 18 months requested. Any time lost in competing for the required technical services will reduce seriously the likelihood that these objectives will be achieved.

Finally, RRNA has approximately three years of experience with the Project and will not require time to "learn" the Project and "establish" its operations in Bolivia. It is expected that two members of the current team will continue working with the Project during the Amendment period, thus providing additional continuity to Project activities.

Subpart 7-3.101-50(b)(5) of the AID Procurement Regulation permits non-competitive procurement in those cases where "amendment to contracts provide for continuation of activities designed to meet the same goal originally established in the contract." Although it is proposed that a new contract be signed with RRNA, this course will be taken only because of the switch from a host country to a direct AID contract. In reality, the new contract will be an extension of the existing contract, and, as demonstrated above, it will not change the original goal established in the contract. The Mission, therefore, believes that non-competitive procurement is justified.