5260101 (15)

PD-AAB-712-A1

16 p.

UNCLASSIFIED

CLASSIFICATION

PROJECT EVALUATION SUMMARY (PES) — PART I

1. PROJECT TITLE

CREDIT UNIONS
(Including Grant 0101, Loan 526-T-027, and OPG 5/78)

2. PROJECT NUMBER
526-0101

3. MISSION/AID/W OFFICE
USAID/Paraguay

4. EVALUATION NUMBER (Enter the number assigned by the reporting unit e.g., Country prefix followed by sequential number. Each PES for a given project has a unique number starting with 1.)
1

☐ REGULAR EVALUATION ☐ SPECIAL EVALUATION

5. KEY PROJECT IMPLEMENTATION DATES

A. First PACD or Equivalent	B. Final Obligation Expected	C. Final Input Delivery
FY 82	FY —	FY —

6. ESTIMATED PROJECT FUNDING

A. Total	$ 2,743,000
B. U.S.	$ 2,000,000

7. PERIOD COVERED BY EVALUATION

From (month, yr.): Jan. 1977
To (month, yr.): June 1979

8. ACTION DECISIONS APPROVED BY MISSION OR AID/W OFFICE DIRECTOR

A. List decisions and/or specific issues requiring further study. (NOTE: Mission decisions which anticipate AID/W or host country action should specify type of document, e.g., airgram, SPAR, PIO/T, which will present decision and action required.)	B. Name of Officer Responsible for Action	C. Date Action to be Completed
1. CREDICOOP should prepare a global long term financial projection (with flow).	Richard Leigh Juan Peralta	Dec. 1979
2. By March 31, CREDICOOP should utilize the rehabilitated funds available under Grant 101 to either install the two steel silos (under per Mission Director's letter dated July 5, 1977 or utilize these materials along with the previous mentioned funds to construct a warehouse as the project formerly required by CREDICOOP.	Richard Leigh Juan Peralta	Dec. 1979
3. AID requests CREDICOOP clarify the maximum emphasis in the development of the Central for Cooperatives and using these funds as a means to reduce loan delinquency both in absolute amounts prior to loan disbursement and as a follow-up form of social pressure.	David Alverson	Continuing
4. CREDICOOP should study the possibility of including the Central for Cooperatives as part of the Voluntary Insurance program.	Juan Peralta	Dec. 1979
5. Examine the possibility of this program with a view toward revision of loan covenant action is necessary to improve the working relationship between the member and the cooperative.	David Alverson Juan Peralta	March 1980
6. The Mission should investigate data available to determine how CIDE is doing so. It is being used.	David Alverson	March 1980

9. DISPOSITION OF DOCUMENTS TO BE PREPARED AS RESULT OF PES

☐ Project Paper
☐ Project Amendment or Re-Obligation
☐ Other (Specify)
☐ Project Plan
☐ P.I.O.
☐ P.I.O./T
☐ Other (Specify)
☐ Project Agreement
☐ P.I.O.

10. ACTION OFFICER'S PLANS FOR NEXT PHASE OF PROJECT

A. ☐ Continue Present Scheme Unchanged
B. ☐ Change Present Scheme and/or Change Implementation Plan
C. ☐ Discontinue Project

11. APPROVED BY (Project Officer)

David L. Alverson
Project Officer

12. APPROVED BY (Mission Director or AID/W Office Director)

Paul A. Hantaven
Mission Director

DATE
10/11/79

AID 1330-1 (10-77)

UNCLASSIFIED
CLASSIFICATION

PROJECT EVALUATION SUMMARY (PES) – PART I

Report Symbol U-447

1. PROJECT TITLE	2. PROJECT NUMBER	3. MISSION/AID/W OFFICE
CREDIT UNIONS (Including Grant 0101, Loan 526-T-027, and OPG 5/78)	526-0101	USAID/Paraguay

4. EVALUATION NUMBER (Enter the number maintained by the reporting unit e.g., Country or AID/W Administrative Code, Fiscal Year, Serial No. beginning with No. 1 each FY) 79-6

☒ REGULAR EVALUATION ☐ SPECIAL EVALUATION

5. KEY PROJECT IMPLEMENTATION DATES			6. ESTIMATED PROJECT FUNDING		7. PERIOD COVERED BY EVALUATION
A. First PRO-AG or Equivalent FY 69	B. Final Obligation Expected FY 80	C. Final Input Delivery FY 81	A. Total	$ 7,743,900	From (month/yr.) Dec. 1977
			B. U.S.	$ 5,209,300	To (month/yr.) June 1979
					Date of Evaluation Review

8. ACTION DECISIONS APPROVED BY MISSION OR AID/W OFFICE DIRECTOR

A. List decisions and/or unresolved issues; cite those items needing further study. (NOTE: Mission decisions which anticipate AID/W or regional office action should specify type of document, e.g., program, SPAR, PID, which will present detailed request.)	B. NAME OF OFFICER RESPONSIBLE FOR ACTION	C. DATE ACTION TO BE COMPLETED
7. Perform an in-depth review of the credit collection procedures followed by the nine cooperatives served by the stabilization program (OPG).	Juan Peralta Ernesto Sosa	March 1980

9. INVENTORY OF DOCUMENTS TO BE REVISED PER ABOVE DECISIONS

☐ Project Paper
☐ Financial Plan
☐ Logical Framework
☐ Project Agreement
☐ Implementation Plan e.g., CPI Network
☐ PIL/T
☐ PIO/C
☐ PIO/P
☐ Other (Specify)
☐ Other (Specify)

10. ALTERNATIVE DECISIONS ON FUTURE OF PROJECT

A. ☒ Continue Project Without Change
B. ☐ Change Project Design and/or ☐ Change Implementation Plan
C. ☐ Discontinue Project

11. PROJECT OFFICER AND HOST COUNTRY OR OTHER RANKING PARTICIPANTS AS APPROPRIATE (Names and Titles)

12. Mission/AID/W Office Director Approval

Signature

Typed Name

Date

AID 1320-19 (3-78)

13. SUMMARY

No significant problems were identified in the delivery of Project inputs, and the analysis of progress towards planned outputs showed that the Project is about on target for most indicators. Likewise, the Project has made substantial progress towards most end-of-project conditions. The most impressive achievement has been the building of a foundation for an effective savings and credit system addressing the most critical constraints to small farmers' income. The Project is on schedule in terms of the number of rural credit cooperatives formed, the financial strength of the Central Organization--CREDICOOP, cooperatives' savings in the central, and volume and quality of marketing services provided to the members. Impressive progress was made in the mobilization of share capital at the primary cooperative level, which already surpassed the 1981 estimates. On the other hand, the Project fell short in achieving the planned membership and loan volume. In addition, high delinquency rates experienced by a minority of cooperatives constitute a threat to maintaining the satisfactory recuperation rate at CREDICOOP.

Although no hard data were available to measure the impact on the goal, available evidence suggests that as a direct result of the Project, farmer members are obtaining monetary benefits enabling them to increase their farm assets and/or their shares in their cooperatives.

14. EVALUATION METHOD

This review is the annual regular evaluation of the Project carried out as called for in the Mission's Annual Evaluation Schedule. It encompassed an overall measurement of Project progress towards the objectives and targets spelled out in the PP prepared in October 1977, Amendment No. 1 of the Loan Agreement dated December 7, 1976, and the OPG Agreement for the Credit Union Financial Stabilization Fund dated August 31, 1978.

The review was carried out in conjunction with CREDICOOP's internal semi-annual evaluation of progress towards the targets set forth in the CREDICOOP's Annual Plan of Activities for 1979. In this, each CREDICOOP Division prepares an assessment of its own activities, which is presented for discussion in plenary sessions including the entire CREDICOOP's staff and representatives from GOP and donor agencies. Problems are prioritized and the management team amends the annual plans and takes appropriate corrective actions.

Progress data on the development of the whole credit cooperative system were obtained from the monthly reports submitted by the cooperatives to CREDICOOP, as well as from information collected by CREDICOOP's

cooperative promoters who, in preparation for the evaluation, visited each of the cooperatives in their respective areas to either update numerical data or gather additional qualitative data, all of which was also presented for the review of the plenary evaluation review group.

At the end of these sessions the AID Evaluation Specialist made a list of the most important issues resulting from these reviews, including those which might deserve AID's attention. These issues were discussed at the Mission in a final Evaluation Review Meeting with the Mission Director held on September 21, 1979.

Block B of this PES includes only those action decisions of major importance agreed upon in the final Evaluation Review Meeting. In addition, CREDICOOP has issued a comprehensive report on the outcome of its internal in-depth review with a number of decisions or recommendations, the implementation and monitoring of which will be CREDICOOP's responsibility.

15. EXTERNAL FACTORS

In general, external factors have not strongly influenced the Project. It is important to note, however, that while the price of cotton (the small farmer's most important cash crop) has been quite favorable during the past few years, some farmers' cotton production fell in 1978/79 due to bad weather. This may account for some loan delinquencies dating from that time. Also in 1978/79 a national gasoline shortage delayed cotton marketing.

16. PROJECT INPUTS

Project inputs include: (a) $1,928,300 provided through AID Grant 0101 for technical assistance, commodities, and administrative costs; (b) $3 million through AID Loan 027 to CREDICOOP for agricultural credit; and (c) $281,300 through OPG 5/78 for support of a stabilization program within CREDICOOP. The Government of Paraguay provides technical assistance through the Ministry of Agriculture and the National Development Bank; tax exemptions to the cooperatives; and a small annual budget support to CREDICOOP. The U.S. Peace Corps provides volunteers used primarily in the accounting and auditing areas.

This evaluation has not identified significant problems in the delivery of Project inputs. The AID grant-financed technical services provided by CUNA, Inc. were instrumental in achieving project success, and the work of the two resident advisors was rated superior. All other AID inputs were provided as planned with the exception of the funds made available for the purchase of marketing facilities and equipment ($89,000 of Grant 0101).

The GOP continues to provide strong support to the Project. The technical assistance committed by the MAG and BNF has been provided on a consistent and effective basis through well qualified personnel. The MAG's support to CREDICOOP's budget has been received as planned and the Directorate of Cooperatives from MAG continues to cooperate fully in the chartering of new cooperatives and in providing specialized technical assistance when necessary.

17. PROJECT OUTPUTS

The planning documents include only the total output production level for June, 1981 and do not contain intermediate annual targets for Project outputs. Therefore, progress was measured by studying the tendency towards achieving the specific end-of-project targets. The results were as follows:

Planned Outputs June, 1981	Actual Progress as of June, 1979
1. Trained Staff and Leadership	
a. CREDICOOP with 28 staff members with a minimum of two years of on-the-job training.	a. CREDICOOP has on board a total of 23 specialized and supporting staff members with over two years of service within the Institution. There are four other employees who have worked for periods of less than two years. All CREDICOOP employees have participated in training courses abroad or locally (or both), and have been exposed to continuous on-the-job training by the CUNA advisors. It is felt that CREDICOOP has already developed a staff capability commensurate to the type and size of its actual operations.
b. 30 rural coops with managers with at least 50 hrs. each of specialized training.	b. This output target has been achieved. There are 15 managers in 30 rural coops with more than 200 hrs. of specialized training each, and 10 others with between 50 and 200 hrs. of training. The remaining five are either managers of cooperatives of recent creation or new managers in older cooperatives. CREDICOOP considers that with few exceptions the present educational level of cooperative managers is generally adequate. Future

educational activities will focus on more advanced training, i.e. training in subjects such as basic economics, financial analysis, financial mathematics, etc.

The weakest area in the rural cooperatives' operations is agricultural technical assistance. The original concept of the ayudante de campo, an extension worker selected among the farmer members and to whom the cooperative pays a relative small compensation, proved not to be viable. There has always been a high turnover rate and to date only 24 of the rural cooperatives have that position filled. Of this total about 10 ayudantes are performing well. The others are not capable of adequately carrying out their duties.

c. 100 cooperatives board members with at least 20 hrs. of training in cooperative promotion and management.

c. The training of cooperative board members has been emphasized by CREDICOOP since its inception. During 1978, 349 hrs. were divided among 907 participants, even though CREDICOOP was not able to carry out all its 1978 educational plan for board members and had to cancel 14 regional courses mostly due to board members' lack of time and interest. To overcome this problem, CREDICOOP provided courses at the individual cooperatives where more acceptance was found.

d. A continuing training capability in place.

d. This target has been achieved. CREDICOOP has an Education Division staffed by 2 employees which successfully implements an adequate training program. In addition to the functions of this division, CREDICOOP employs four promoters and an accounting advisor who are all heavily engaged in field education activities.

2. Standardized Procedures in Accounting, Capitalization and Credit

a. 30 rural coops using the standard accounting system recommended by CREDICOOP.

a. There are 28 rural cooperatives using the accounting system designed and recommended by CREDICOOP. The system is simple, adequate, and there seem to be no technical problems with its implementation; but progressive assistance is required in proportion to the complexity of the cooperative operations. There are 18 cooperatives that have already implemented a fairly good administrative and accounting system and that employ capable full or part time accountants. Another group of cooperatives still requires assistance, especially in the area of training of administrative personnel.

b. All rural cooperatives complying with requirements that they purchase minimum share in CREDICOOP of 5% on marketing loans, and that cooperative members make share purchases of 10% in their cooperatives for each production loan.

b. The capitalization requirements have been duly enforced by CREDICOOP and this target has been accomplished. In addition to the targeted requirements, CREDICOOP requires the cooperatives to buy shares worth an equivalent of 2-1/2% of the integrated capital of the cooperative per year.

c. 30 rural cooperatives using written credit procedures based on CREDICOOP model.

c. CREDICOOP has developed adequate model loan policies and procedures for credit unions (patterned after CREDICOOP's own model) which were distributed to all affiliated cooperatives. The CREDICOOP promoters implement this model with the cooperatives' personnel. Additionally, CREDICOOP has developed forms and implementing manuals covering the whole credit process. These include a record system and procedures for credit analysis. The major problem with the credit policies and procedures is their implementation at the cooperative level. The CREDICOOP/AID review of compliance with the most critical elements revealed that at least 10 rural cooperatives are not following all of the practices necessary for sound credit

	administration. The CREDICOOP promoters are working directly with these cooperatives to eliminate these deficiencies.
3. Marketing Operations	
a. CREDICOOP marketing department staffed by at least four employees.	a. Marketing operations constitute an important part of CREDICOOP's operations. The department is staffed by four trained members capable of handling present requirements.
b. CREDICOOP with two storage facilities with dryers and with adequate vehicles and equipment to provide marketing services to 38 rural cooperatives at projected volume.	b. This target was not properly defined in the planning documents. Under the present scheme CREDICOOP acts as a marketing agent for its affiliates and does not physically handle the bulk of the agricultural products marketed. Therefore, the real need for marketing facilities and equipment was difficult to estimate. As a result, most of the funds obligated for the purchase have not yet been used by CREDICOOP.
4. Credit Operations	
CREDICOOP generating enough income from lending operations to cover its costs while still providing adequate support to achieve projected lending levels and delinquency objectives.	CREDICOOP has not achieved the lending level projected in the PP and in its own annual global investment plans. This was mainly due to (a) CREDICOOP's and the National Development Bank's cut-off of credit to 14 cooperatives with high internal delinquency rates; and (b) the success of the Project in achieving capitalization targets, thereby reducing the cooperatives' need for external credit. Another factor that contributed to the shortfall was lower than anticipated loan demand, as the Project has not achieved the planned number of farmer members in the rural cooperatives. (See EOPS No. 2). The annual amount of interest earnings from loans as of June 30, 1979 is $32,100 short of the $125,782 projected in the financial plans. The net income however, does not

fall far short of the original estimates due to the fact that operating expenses were less than projected and because interest income from monies deposited in interest bearing accounts was more than projected.

Through Implementation Letter No. 8 of October 3, 1977, the Mission authorized CREDICOOP to utilize up to $300,000 of AID Loan T-027 to finance the purchase of agricultural land by members of CREDICOOP affiliated rural cooperatives. AID and CREDICOOP agreed that during the period the first $100,000 was disbursed CREDICOOP was to develop a plan for evaluating the land financing activities. Implementation of the evaluation plan was to start during the period the second $100,000 was disbursed.

CREDICOOP has proceeded cautiously in implementing this program. As of the date of this evaluation, land financing loans totalling $118,054 had been made to five cooperatives. An evaluation plan was prepared by CREDICOOP and revieved by AID on September 11, 1978 with the recommendation that it be analyzed by a social scientist. This was done and CREDICOOP is now planning to carry out the field work in preparation for the evaluation.

5. Plans for future operations to benefit small farmers. At least one feasibility study by outside consultants to determine the advisability, profitability and best location for a cotton gin and/or other agricultural investments.

5. Feasibility studies for a cotton gin and an oil extraction plant were completed by outside consultants. CREDICOOP is now evaluating these studies and discussing them with its membership.

18. PROJECT PURPOSE

The purpose of the Project is to enable CREDICOOP to generate income in excess of costs while providing the full range of services required by its member cooperatives.

This evaluation disclosed that CREDICOOP has met most of the EOPS targets as of June 30, 1979 and that if the present trend continues, it is likely that the purpose of the Project will be fully achieved by June 1981. Progress towards individual EOPS indicators is as follows:

EOPS No. 1 - Financial Strength

a. CREDICOOP shows a net profit of $26,000. The financial projections prepared in 1977 estimate that CREDICOOP will achieve its breakeven point between 1980 and 1981. The net loss projected in 1977 as of June 30, 1979 is $57,818.

A Balance Sheet and Income Statement as of 6/30/79 prepared for the purpose of this evaluation showed a loss in operations of $19,398. When AID's contribution plus a small cash contribution from the Ministry of Agriculture are added to this amount, the total operational loss increases to the equivalent of $79,200. This loss, however, is in line with the financial projection contained in the PP, as CREDICOOP has adopted the policy of increasing its reserve for bad debts to 1.5% of the highest annual balance of loans receivable instead of the 1.0% agreed to in Project documents.

b. Rural cooperatives have share capital of $1,619,000. The June 1979 target for share capital mobilized by the rural cooperatives is $990,000.

The share capital in rural cooperatives as of June 30, 1979 was the equivalent of $1,750,000, which not only far exceeds the 1979 target but also surpasses the 1981 end-of-project estimate. This successful outcome has been largely due to the forced capitalization requirement whereby members must buy cooperative shares worth a fixed percentage of the loan received. Another factor that has contributed to the growth in share capital is the direct relationship between the amount of the share capital owned by a member and the amount of credit he may obtain. This policy provides an incentive for members to increase their share ownership.

c. Cooperatives' savings in CREDICOOP reach $500,000, with $185,000 by June 30, 1979

As part of its program for the mobilization of capital funds, CREDICOOP requires affiliated cooperatives to maintain as share capital in CREDICOOP an amount equivalent to 9.5% of their own share capital. In addition, CREDICOOP requires minimum share purchases by these coops based on percentages on loans made by CREDICOOP to its member coops.

As of June 30, 1979 cooperatives' savings in CREDICOOP amounted to the equivalent of $258,968. thus exceeding the planned target by 40%. This amount includes the share purchases made by 14 urban cooperatives affiliated to CREDICOOP.

EOPS No. 2 - Membership: 38 rural cooperatives with 15,000 farmer members

A total of 30 cooperatives and 9,000 farmers was planned as of June 30, 1979.

To date, 29 rural cooperatives affiliated to CREDICOOP have been formed. In addition, there are 13 urban cooperatives which, although not included in Project plans, constitute a key element of the CREDICOOP system as they provide capital and leadership. The project is falling short, however, in achieving the targeted amount of farmer members: By June 19, 1979 there were only 5,242, i.e. 3,758 fewer farmers than the originally projected figure of 9,000. The less than planned membership growth is due to the conservative policy adopted by CREDICOOP through which cooperatives are encouraged to exercise great selectivity in admitting new members. This policy was adopted as a result of high delinquency experienced in rural cooperatives in the early years when the rural cooperatives had no membership strategy for member selection and thus had to deal with undesirables.

CREDICOOP is, however, aware of the fact that membership growth is crucial to its financial self-sufficiency, and is presently trying to combine the two conflicting goals of low delinquency and membership growth by adopting a new and formalized policy of "growth with selectivity."

This policy emphasizes development of comités por compañía within cooperatives before they launch membership campaigns. Such comités, informal groups of farmers residing in the same area and belonging to the same coop, coordinate technical assistance and marketing services provided coop members. They may also assist with collection of delinquent loans and may recruit and recommend other farmers for membership.

EOPS No. 3 - Agricultural Credit

a. Annual cooperative loan volume reaches $7,000,000 by June 1981
The total projected for June 1979 is $3,000,000.

The annual volume of all loans made by rural cooperatives as of June, 1979 amounted to $2,428,396. This shortfall resulted from the less than planned membership in the cooperatives and the cut-off of external credits (from CREDICOOP and BNF) to the cooperatives experiencing high delinquency rates.

b. There are 1,090 borrowers with fewer than five ha., 6,120 with five to 20, and 1,800 with over 20. A total of 44,100 ha. are financed

We were not able during this evaluation to verify the progress towards this target due to the lack of hard data, as the information available at CREDICOOP on number of farmers and amount of hectares financed only includes those farmer borrowers listed in the annual agricultural plans submitted by the cooperatives to CREDICOOP in support of their requests for loans. The total number of farmers and hectares included in these plans amount to only 1,408 and 4,723 respectively. These data, however, are not comparable with the planned figures as they do not include the financing of agricultural credit by the coopeatives with their own capital and external sources other than CREDICOOP. Likewise, we were not able to obtain detailed data by land ownership, as the annual agricultural plans only include the number of hectares cultivated and not the total land the farmer has access to.

c. CREDICOOP charge-offs do not exceed 1% of loans made from 1976 through 1980

To date CREDICOOP has not yet charged off any bad debt. An analysis of CREDICOOP's portfolio made during this evaluation showed that of total loans of $3,410,593, only $35,789 was delinquent as of June 30, 1979, representing a recuperation rate of 97%. An analysis of the delinquent accounts showed that the amount includes a total of $28,391 consisting of the unpaid balance on a large loan to one cooperative which fell due in December, 1977. The rest is composed of minor balances with due dates between July, 1978 and June, 1979.

However, it is important to note that while the recuperation rate as of June 30, 1979 appears satisfactory, a more accurate picture of the situation could only be obtained through the behaviour of the portfolio during subsequent months, as most of the agricultural loans to cooperatives fall due on July 1, 1979. For instance, as of August 3, 1979, delinquent loans amounted to the equivalent of $363,000, which decreased the recuperation rate to 86%.

The overall level of delinquency in turn has its origin in the delinquency within the individual cooperatives. An effort was made by CREDICOOP and AID during this evaluation to identify the causes and define the necessary corrective action that CREDICOOP could take in each case. The most frequent causes are bad harvests, ineffective boards and/or managers, failure to follow sound credit rules and procedures, lack of supervision of credit use and inadequate follow-up on delinquent loans.

The cooperatives reported that as of June 30, 1979, ₡48.9 million ($388,000) out of a portfolio of ₡456.3 million ($3,621,420) was delinquent. This figure, however, does not present fairly the magnitude of the delinquency problem as a significant portion of the loans fall due in July-August. Moreover, the cooperatives do not apply uniform criteria in reporting their delinquency. Some consider only the installments overdue as delinquent, while others consider as such the whole outstanding balance once an installment has not been paid by the due date.

On August 31, 1978 and again on March 20, 1979 the Mission entered into OPG agreements with CREDICOOP to establish a self-sustaining stabilization program designed to initially benefit nine cooperatives facing bankruptcy. Through these agreements AID provided $230,000 for loans and $51,300 for an incentive program for managers and employees in the nine affected cooperatives whereby employees would be rewarded upon attainment of certain targets, mainly for loan collection. CREDICOOP provided $17,100 for technical assistance and $16,200 for the stabilization fund. The National Development Bank waived interest and fines totalling $68,300, and CUNA loaned $35,000 to the fund.

In December, 1978 CREDICOOP loaned ₡37,314,000 ($896,182) from the Stabilization Fund to nine cooperatives to refinance their existing debt to the National Development Bank. At the same time CREDICOOP resumed routine lending to the nine cooperatives in accordance with certain targets for loan collection, share capital and administration.

In the OPG agreement it was assumed that 50% of the old loans (₡17.5 million) would be recovered over a seven year period. A detailed recuperation plan was made for the first year which estimated that a total of ₡8.9 million would have been collected by the cooperatives by the end of the crop year (July/August).

In the evaluation we found that by July 31, 1979 the cooperatives had met 50% of the target, recovering ₡4.9 million of the delinquent loans.1/ Repayments to CREDICOOP, however amounted to only ₡1.9 million as of August 31, 1979, as opposed to ₡7.7 million planned. The less than satisfactory recuperation by CREDICOOP is due mainly to the fact that the cooperatives are placing priority in repaying the new short term loans granted by CREDICOOP in late 1978, as these bear a higher interest rate than those falling under the Stabilization Program.

1/ It is worth pointing out that the 50% recuperation by the cooperatives has been achieved despite bad harvests in some areas and notwithstanding the less than satisfactory credit management practices followed by the cooperatives.

So far, only four of the nine cooperatives have adopted marketing and loan recuperation policies. Only one of the nine cooperatives issues notices of payment due before the loan due date. The The others issue these notices after the due date. None of the nine coops issues notices to all delinquent members. It is therefore recommended that an in-depth review be made as soon as possible regarding the credit collection procedures followed by the cooperatives with the objective of outlining actions necessary to improve the situation.

CREDICOOP has adequately complied with the special covenants set forth in the OPG agreements, and all project inputs were delivered as planned.

EOPS No. 4 - Marketing

The annual volume of crops marketed reaches $7,000,000, with a total of $2,300,000 for the year ending 6/30/79.

The total volume of crops marketed as of 6/30/79 from the crop year 1978/79 amounted to $2,150,000, with about $412,000 more to be marketed in the next three months. Cotton accounts for 94%. Other crops marketed include soybeans, tobacco, corn, fish and a little wheat. The main reasons for the dominant role of cotton are the continuing attractive world market price and the fact that cotton is the traditional cash crop of small farmers in Paraguay.

In addition to providing additional benefits to the farmer derived from better prices, marketing operations constitute an important element in the recuperation of loans. CREDICOOP estimates that 95% of all loan recuperations at the cooperatives were ensured through CREDICOOP's marketing of loan recipients' products.

Marketing services also constitute an important source of income for CREDICOOP. During the last crop year marketing operations earned CREDICOOP a total of $3,751,892 ($29,776), approximately 12% of its net operational income. Cumulative net proceeds as of June 30, 1980 [illegible] projected in 1978 at $169,400 and are to be used together with an AID contribution of $85,000 and an estimated cash contribution of $25,000 from the participating cooperatives as counterpart to a revolving fund for the improvement of marketing facilities of rural cooperatives.

To date, seven rural cooperatives have benefitted with loans to improve their warehouses. CREDICOOP and the cooperatives have provided their counterpart shares as planned, and total investments, including AID contribution of $45,992, amount to $104,796.

The Project has been slow, however, in implementing the marketing facilities plans for CREDICOOP itself. No decision has been made yet on the type of equipment to be bought, and consequently a total of $89,007 still remains unsubobligated under Grant 0101. A decision in regard to the use of these funds should take into account the new AID Minifundia Crop Intensification Project.

19. PROJECT GOAL

The goal of this Project is to increase by 50% the net income of participating small farm families over a five year period with a statistically significant increase over nonparticipating families. Another measure of goal achievement planned in the PP is an average capitalization of rural members of $85. Progress data were to be obtained from cooperative loan request records, the ongoing Small Farmer Survey, and a follow-up survey in 1980 or 1981.

The USAID has repeatedly gathered baseline data on cooperative members vs. non-cooperative farmers. However, once data were gathered, both in 1971-72 and 1973-74, they were not fully analyzed due to computer processing failures in Paraguay and due to the experimental nature of the survey instruments used. Data gathering was carried out as planned but the analysis never reached the point where economic differences between cooperative members and nonmembers could be confidently established from the baseline data. Furthermore, the analysis of cooperative vs. non-cooperative farmers was only informally tasked to the specialists of the surveyors collecting baseline data and was not included in the original scope of work of the Mission's Agricultural Sector Assessment.

Despite these oversights, the July 1975 update of the Agricultural Assessment included an excellent section (pages 247-264) demonstrating that non-cooperative farmers perceived many economic advantages to belonging to cooperatives. CREDICOOP members and nonmember farmers in selected regions were interviewed in the 1974 Sector Assessment. Both interviewed groups reflected positive attitudes towards the cooperative movement in general, and especially towards CREDICOOP. While these data are not of the type originally projected, they are extremely useful in evaluating differences between cooperative members and non-cooperative farmers.

There are many indicators which suggest that the Project is making a significant contribution toward the goal of increasing participants' farm income. For example, the capitalization of rural members as of December 31, 1979 has reached an average of $144 versus $85 planned for the end of project in June 30, 1981. It is safe to assume that most of the savings originated through sales of the increased production achieved with the help of agricultural loans. Moreover, almost all farmer members are currently marketing through CREDICOOP, which provides them additional monetary benefits through better prices (estimated at 5% higher for cotton, 10% for sesame, and 15% for corn) and the fair weight and grading offered by CREDICOOP's marketing system.

20. BENEFICIARIES

Prior to the preparation of the PP for Grant Project 0101 in late 1977, USAID undertook three studies of cooperatives to determine whether their clientele met the target group selection criteria contained in Sec 102(d) of the FAA. The conclusion of these studies was that the Project was reaching the rural poor majority target group.

Data on farm income are not systematically recorded and therefore no information is available to determine eligibility based on income. Nevertheless, it has been demonstrated that CREDICOOP is directing most of its lending to farmers with small land holdings (1 to 20 ha.), including a significant number without full ownership of the land they farm. These farmers typically devote 1.5 or two hectares to consumption crops (cassava, corn, beans) and cultivate a few additional hectares of traditional cash crops (cotton, tobacco and occasionally soybeans). Their income is generally low due to several constraints (identified in the Mission's Agricultural Sector Assessment).

This Project plays an important role in alleviating one of the most basic constraints to small farm income, which is the lack of adequate credit services. At the same time it helps reduce other problems such as an inefficient marketing system, lack of adequate technologies, and poor farmer organization.