



Rural Development Services

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EVALUATION OF THE SMALL FARMER CREDIT PROGRAM OF
THE COOPERATIVA MULTIACTIVA "LA MERCED" LTD.
(USAID/B--ACDI/LA MERCED O.P.G. 511-0533)

By

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It is important to emphasize that La Merced staff, after presenting us to rural households and other individuals interviewed, left us in complete liberty to ask questions and thereby assured the absolute confidentiality of the survey.

We also wish to thank Roberto Leon de Vivero, Head of the Division of Development, Planning, and Evaluation of USAID/Bolivia, for his interest in, and support given, to this evaluation. The former ACDI Resident Advisor, Mr. Steve Wiles, was extremely helpful in orienting the evaluators and making available to them important documentation of project performance. Mr. Robert Flick of ACDI/Washington was most cooperative in discussions to frame the overall evaluation methodology.

Finally, we express our deepest gratitude to the 251 rural households visited--all members of La Merced--who donated their time so patiently to the field survey. We are confident their many recommendations and opinions will be read with interest by staff of La Merced, and that these contributions will eventually translate into improved and expanded Cooperative services.

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CHAPTER I.

INTRODUCTION AND SUMMARY

A. PROJECT OVERVIEW

This report describes and evaluates a project sponsored by USAID/Bolivia entitled "ACDI/La Merced OPG No. 511-0533. Signed August 30, 1979, the project was budgeted at US\$496,000 and scheduled for a period of three years. This Operational Program Grant had two basic objectives. The first was to strengthen and expand the Small Farmer Credit Program of La Merced, the largest cooperative in Bolivia, which operates throughout the tropical lowlands department of Santa Cruz. The second objective of the OPG was to strengthen the administrative capacity of La Merced, thereby helping it to meet the more complex decision-making requirements of large cooperative institutions.

The donation financed a full-time, ACDI Resident Advisor stationed in Santa Cruz for a period of 32 months. It also was to finance at least three visits by a short-term management consultant, assistance from local Bolivian consultants, and periodic supervisory visits by ACDI/Washington staff. These and related technical assistance activities were budgeted at US\$320,000. The grant also provided a direct donation of US\$176,000 to assist with the capitalization of the Small Farmer Credit Program. For its part, La Merced was to contribute the equivalent of US\$138,000 in existing loan fund capitalization plus an additional US\$102,640 by the end of the project. It was also to subsidize the Program's administrative costs, and was to establish three farm supply stores for project beneficiaries with operating capital and other contributions totaling US\$525,000.

The OPG project was amended on four occasions, but the changes did not alter its basic objectives or overall budget. All external resources to the project were provided by ACDI and USAID as originally planned. The termination date of the three-year project has been extended through June 1983 to permit the use of unspent funding (approximately US\$14,000) in financing an experimental program for mobilizing rural savings.

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B. PURPOSE OF THE PRESENT EVALUATION

The present report contains the findings of a final evaluation of OPG No. 511-0533. Such an evaluation was programmed and budgeted within the original grant agreement. The methodology of the evaluation itself was developed by the consultants in close discussion with ACDI and senior staff of La Merced.

The purpose of this undertaking was to conduct an evaluation of the OPG in two directions: from the top-down and from the bottom-up. The top-down approach, or "institutional evaluation", was intended to document and appraise the performance of La Merced's Small Farmer Credit Program, as well as the Cooperative's administrative reorganization and strengthening. Careful attention was to be paid to the degree of compliance by the project with its planned objectives and activity targets, as specified in the OPG's "Logical Framework".

The bottom-up approach, or "impact evaluation", was intended to measure the socio-economic impact of the OPG project at the level of individual farm households. For this purpose a simple farmer survey was to be conducted--using other farmers as data-collectors.

A secondary purpose of the evaluation was to review and (where appropriate) incorporate the cooperative evaluation system recently proposed by Development Associates, Inc.

C. SCHEDULE, PARTICIPANTS, AND EVALUATION ACTIVITIES

Field data collection for this evaluation began in Bolivia on September 20, 1982 and continued for two months until November 17th. By this last date, two separate preliminary reports--in Spanish--were completed, one for the institutional evaluation, the other for the impact evaluation. Final analysis, editing, and preparation of the official report--in English--was completed in New York over the period December 10-20, 1982. Translation of the final report into Spanish was conducted during the first two weeks of January 1983.

The responsibility for data collection and analysis of the institutional evaluation was entrusted to Dr. Aquiles Lanao Flores--a Peruvian citizen with joint university degrees in Economics and Accounting, and a cooperative specialist with over 20 years experience in rural development projects. In addition, Dr. Lanao coordinated all fieldwork for both the institutional and impact evaluations. He also assisted in the training of all Bolivian staff employed to implement the farmer survey. In the per-

formance of his duties, Dr. Lanao made two separate visits to La Merced. The first, from September 13-20, was devoted to finalizing the evaluation methodology, recruiting and training Bolivian field staff, and making all necessary contacts to get data collection activities scheduled and initiated. Dr. Lanao's second visit lasted nearly four weeks, from October 25 to November 17, 1982. During this period he conducted and completed the institutional evaluation, assisted with the analysis of the farmer survey, and conducted a general debriefing of evaluation findings with senior staff of La Merced.

Overall responsibility for carrying out the impact evaluation was entrusted to José Victor Morales, a Bolivian sociologist who contributed 60 days of work to the assignment and remained on location in Santa Cruz. He was assisted by Aquilina Tuco Vera, a Bolivian technician specialized in rural community development, who was also contracted for two months. Both of these professionals participated in the design of the survey questionnaire, helped to train the farmer-interviewers who were to apply the instrument, supervised the survey activities, assisted with interviewing when necessary, and tabulated the data. Morales prepared a comprehensive preliminary report of survey findings which contains a detailed summary of each of the four regions visited plus a summary of the aggregated data for the entire survey. The survey itself covered 251 rural households from 55 separate rural communities.

At the farm-level, the principal interviewers were themselves small farmers from the Santa Cruz region. There were three of them, as follows: (1) Timoteo Flores Peñaranda, age 29, a resident of Naranjal (Yapacaní Colonization), Ichilo Province; (2) Aurelio García Olivera, age 34, a resident of Valle Hermoso, Ichilo Province; and (3) Sabino Arrayaza Almendras, age 33, also a resident of Valle Hermoso. All three are colonists who came to the Santa Cruz region in the mid-1960's. They are typical small farmers, all cultivating no more than three hectares of land planted to traditional crops such as rice, corn, peanuts, and citrus. They also raise small cattle herds, a few pigs, and chickens. None of these farmers has more than five years of formal schooling, yet they proved themselves capable of accurately administering the survey questionnaire and also assisted with data tabulation.

A list of all persons contacted by the consultants during the evaluation is presented in Annex A. The complete list of communities and respondents interviewed during the farm survey is contained in the data summaries --Resumen de Análisis e Interpretación de Datos--copies of which have been submitted to ACDI and La Merced as companion documents to this report. A list of all documents reviewed by the consultants in the course of this evaluation is presented in Annex B.

D. SUMMARY OF PRINCIPAL FINDINGS OF THE INSTITUTIONAL EVALUATION

STRENGTHS

1. PROJECT PLANNING: The project's Logical Framework was very well prepared with regard to clearly specified objectives, activities, programmed resources, and the respective targets for these components. The Logical Framework was up-dated after project initiation, served as a continuing guide throughout the OPG period, and was of great help in structuring the final evaluation.

2. LOAN PORTFOLIO EXPANSION: The first indicator of successful achievement of project objective--to expand rural loan portfolio to \$b 9.5 million--was not only achieved but surpassed by 16 percent, to \$b 11.0 million. The resource commitment pledged by La Merced was exceeded by 68 percent. Furthermore, the number of production loans per year made by the Small Farmer Credit Program expanded by 33 percent, from 400 to 538 borrowers.

3. INCREASE IN AVERAGE LOAN VALUE: The average small farmer loan increased by 297 percent, from \$b 5,850 to \$23,240. The targeted increase (second success indicator) was only 135 percent. Although this result must be qualified by the drastic devaluation of Bolivian currency which occurred during the project period, the above expansion was nonetheless achieved without credit rationing and with an increased number of total loans--a considerable achievement considering Bolivia's unstable economic environment.

4. MEMBERSHIP INCREASES AMONG SMALL FARMERS: The target of a annual 10 percent expansion of rural members was not quite met, resulting in a gain of 710 net additional members rather than the planned 1,066 members. However, considering local political and economic unrest during the project period, we consider the actual achievement of new members to be a great success. Furthermore, the project first purged its membership roll of all inactive members, removing more than 119 of them, which means that the base against which the target was calculated was over-inflated to begin with.

5. INCREASED RURAL SAVINGS: The project target was \$b 4.5 million in total rural savings by the end of the OPG period. Actual rural savings reached \$b 9.5, exceeding the target by 133 percent. The net absolute increase in savings (compared to the base year) was 223 percent. This result reflects a high level of small farmer trust in La Merced.

6. REDUCTION OF LOAN DELINQUENCY: At the outset of the project the number of delinquent loans as a percentage of total loans had reached 70 percent. The project proposed to reduce this delinquency by 60 percent over three years. In practice, delinquency was reduced by 90 percent, and in 1982 only 7 percent of outstanding loans were overdue. The project also managed to recover 162 loans that had been previously declared "unrecoverable" with a total value of \$b 420,861.

7. ADMINISTRATIVE STRENGTHENING OF THE CREDIT PROGRAM: The ACDI Resident Advisor provided very effective assistance in establishing new credit regulations, administrative controls, new loan documentation forms, periodic reporting, and a comprehensive system of statistics and information collection. He provided one-on-one training to all Credit Program staff, and established and trained a Central Credit Committee.

8. FARMER TRAINING: Although the overall training and technical assistance activities fell far short of target, they were quite effective in the Central Zone. Three communities received as many as 18-21 charlas over three years covering crop techniques, animal traction innovations, livestock management, farm planning and administration, cooperativism, and credit use. The Program also sponsored weekly radio programs on two central and three provincial radio stations. It published 13 farm extension articles in the Cooperative newspaper, and published and distributed three of its own pamphlets.

9. ADMINISTRATIVE STRENGTHENING OF LA MERCED: As a result of the Cooperative's own efforts and short-term consultants (ACDI and Bolivian professionals), La Merced did create a departmentalized organization, an Executive Committee to ease the decision-making burden of the Executive Director, a departmentalized accounting and budgeting system, and prepared new or updated administrative, accounting, and personnel manuals.

10. SUPPORT AND SUPERVISION BY ACDI/WASHINGTON: The project was periodically visited twice each year by ACDI/Washington staff. Some 58 days of field supervision were provided during six separate visits. When political unrest cut short the participation of ACDI short-term consultants, ACDI arranged for Price Waterhouse of Bolivia to fill the gaps. Eventually 108 days of short-term consultants were provided La Merced under the project. All consultants were qualified professionals, and their efforts contributed significantly to the administrative strengthening of La Merced.

WEAKNESSES

1. CURRENCY DEVALUATION AND LOCAL INFLATION: During the project period, the Bolivian peso was first devaluated by 25 percent in 1979 (from \$b20 to \$b25), then by 76 percent in early 1982 (from \$b25 to \$b44), and since then the unofficial exchange rate has reached as high as \$b200 per US dollar. Meanwhile, domestic inflation has ranged from 40-60 percent per year for locally produced articles and much higher for imported commodities, such as agrochemicals. This combination of currency devaluation and domestic inflation has drastically shrunk the real purchasing power of project resources and diluted many project benefits--particularly (1) portfolio expansion, (2) increased loan value, (3) increased rural savings, and (4) La Merced's effort to open farm supply stores.

2. LIMITATION ON MEDIUM-TERM LOANS: The target of limiting medium-term loans to 20-30 per year was not met. Over the project period, such loans totaled 145, or 65 over target. However, the intent of the restriction was honored, with total resources devoted to medium-term loans not exceeding 25 percent of the entire portfolio.

3. POOR DOCUMENTATION OF MEDIUM-TERM LOANS: Out of 145 medium-term loans granted, the consultants encountered adequate farm investment plans for only nine of these loans.

4. INADEQUATE DOCUMENTATION OF FARM-LEVEL RESULTS OF CREDIT USE: One of the important planned activities under the project was to introduce improved technology to loan recipients. However, efforts to expose borrowers to new technology were weak. Farmer training activities only reached one borrower out of every four. Furthermore, only one of the three planned farm supply stores was established, limiting borrower access to improved seeds and agrochemicals. But even where both training and inputs were made available, the Program made no effort to measure resulting yields and net income performance. Finally, no socio-economic baseline study of potential or actual borrowers was conducted at the outset of the project, which thus greatly hampered subsequent efforts to document project impact on small farmer productivity.

5. SHORTFALL OF FARM SUPPLY STORES: Only one of the three planned farm supply stores was established, in Mairana. As a result, only 12 percent of rural borrowers bought inputs from La Merced; and only a small fraction of the resource commitment of US\$525,000 pledged by La Merced to these stores was ever spent. Nevertheless, in fairness to the project it must be said that the Mairana store proved to be a great success. It was used by 3 out of every 4 borrowers in the Mairana Zone and generated average monthly profits of US\$1,200 over the project period.

WEAKNESSES (Continued)

6. SMALL FARMER TRAINING PROGRAM: Only 109 of the 200 planned charlas were achieved. Of these, over half were limited to only three communities in the Central Zone. More personnel must be devoted to this program for it to achieve broad importance for borrowers at large. The consultants recommend the training of farmer-paratechnicians (earning modest honorariums) to extend charla coverage.

7. DECENTRALIZED DECISION-MAKING: La Merced has greatly decentralized its operating structure and accounting/budgeting system, but the clear delegation of decision-making authority to department heads remains ambiguous. Excessive centralization of authority in the hands of the Executive Director remains a problem. Finally, although a departmentalized information system has been established, the data generated are still not being routinely used for monthly decision-making purposes.

E. SUMMARY OF PRINCIPAL FINDINGS OF THE IMPACT EVALUATION

STRENGTHS

1. BENEFICIARY POPULATION: The Small Farmer Credit Program is indeed lending predominantly to small farmers. Some 74 percent of all borrowers claim agriculture as their primary occupation, while two-thirds of the balance consider agriculture their secondary occupation. Of total rural borrowers, 90 percent cultivate less than ten hectares of land, and 60 percent less than five hectares.

2. USE AND BENEFITS OF PRODUCTION CREDIT: About 74 percent of all loans were used for agricultural or livestock activities. However, the Program very wisely allows about 30 percent of its rural lending portfolio to be invested in "other" productive activities, thereby helping the farm household to capture off-farm income opportunities. The principal benefit from loans (mentioned by one of every two respondents) is that the credit allowed them to conduct farming activities on a timely basis, which resulted in improved yields and income.

3. LOAN DISBURSMENT EFFICIENCY: Some 65 percent of all borrowers said they experienced no problem whatsoever in obtaining credit from La Merced. The typical loan takes less than a week to process, and both the preparation of loan documentation as well as credit disbursements often occur at the local level. By far, La Merced is the preferred lending source for small farmers in the Santa Cruz region.

4. FARMER TRAINING AND TECHNICAL ASSISTANCE: Less than one-quarter of La Merced rural borrowers received training or technical assistance, and even fewer on a repeat or routine basis, but where this service was made available it was very well received by farmers. Of 59 respondents who received training, 51 said they had not experienced any problem with it. Among the most important benefits of training mentioned by respondents, 52 percent cited new crop practices, 42 percent cited new livestock practices, and 40 percent were grateful for technical pamphlets on crop and livestock methods.

5. INCREASED FARM INCOME: Over 60 percent of all households with agricultural occupations claimed their income from this source had increased significantly during the last year. Income from other sources--livestock, business, or professions--likewise were viewed as having increased by 60-72 percent of households claiming these sources. Income growth as a percentage of total income increased by an average 55 percent for agriculture, 16 percent for livestock, 25 percent for business activities, and 19 percent for professional income.

6. INCREASED SAVINGS: Overall, 97 percent of all households interviewed had significant savings invested in La Merced, with the average savings value reaching \$b 10,697 or 46 percent of the average value of loans. Overall, La Merced appears to be attracting about 22 percent of total savings of beneficiary households.

7. INCREASED EMPLOYMENT: Forty-five percent of all respondents claimed an increase in remunerated employment during the last year. This benefit has also reached non-beneficiaries--landless laborers and the migratory rural poor--through increased labor demand resulting from improved yields.

8. INVESTMENTS IN PRODUCTIVE CAPITAL: Some 84 percent of all respondents indicated they had purchased productive assets during the last year, with the average value reaching \$b 29,336. In order of importance, the principal purchases were tools, animals, land, and machinery. The data indicate that a very high portion of rural savings are being used for investment rather than consumption purposes.

9. HOME IMPROVEMENTS: Two of every five respondents said they conducted new home construction or improvements during the last year. Fifty-four percent of families interviewed purchased new furniture or domestic appliances during the same period. Overall, 54 percent of all beneficiaries enjoy potable water installations, 47 percent have electricity, and 19 percent have latrines.

10. IMPROVED NUTRITION AND HEALTH: Thirty-one percent of all families surveyed said their level of food consumption had improved during the last year. These improvements were credited to increased consumption of meat (90 percent of all cases), vegetables (78 percent), and milk (63 percent). Some 29 percent of respondents claimed improved family health during the last year. The principal reasons for improved health, in order of importance, were better nutrition, better medical care, and a move from the countryside into the nearest town.

11. EDUCATION, CLOTHING, AND RECREATION INVESTMENTS: Almost three-fourths of all families interviewed had continued to keep one or more of their school-age children in school. Ninety-six percent had made purchases of new clothing and/or shoes during the last year, with the average annual expenditure reaching \$b 25,520. About 29 percent of all respondents said their families had enjoyed increased participation in recreational activities over the last 12 months.

12. LOCAL PARTICIPATION AND CIVIC RESPONSIBILITY: Two of every five families interviewed have a household member who serves in a community leadership position. About 92 percent of all respondents said they had contributed voluntary labor to community projects, and of these just under one-half had donated more than five days of work. Some 86 percent said they had attended community meetings during the last year, and of these two-thirds attended more than ten meetings. Finally, over one-quarter of all respondents provided some form of assistance (labor or cash) to projects benefitting a neighboring community or to a multi-community undertaking.

WEAKNESSES

1. CO-SIGNERS AND OTHER GUARANTEES: Only one-third of all respondents found any deficiency in the production credit program, and of these 61 percent complained of excessively stringent requirements involving co-signers (garantes). Regarding recommendations for improved service, the most-common one (mentioned 95 times) was the need to increase loan amounts.

2. INADEQUATE FARM SUPPLY SERVICES: Barely one borrower in ten was able to purchase farm supplies from La Merced. Respondents in Mairana urged the Cooperative to expand the quantity and variety of inputs made available, while households from other zones urged the Cooperative to install farm supply stores in their areas.

3. INADEQUATE FARMER TRAINING AND TECHNICAL ASSISTANCE: Only one borrower in four received training or technical assistance under the project. The demand for this service among small farmers is extremely high. Even in communities receiving repeated charlas, respondents request more frequent visits by the agronomist, additional training in crop tech-

WEAKNESSES (Continued)

niques, and more training in cooperativism.

4. LACK OF ADEQUATE MEASUREMENT OF FARM-LEVEL CHANGES IN INCOME AND WELL-BEING: The impact evaluation conducted for this report provides eloquent testimony of a dramatic improvement in the income and welfare of project beneficiaries. The methodology introduced by the consultants now provides La Merced with a precedent for conducting farm level surveys at very low cost. Indeed, because of this low cost, La Merced can afford to conduct such surveys on an annual basis. It is truly a shame that a farm-level survey was not conducted at the outset of the project to establish a baseline. But it is never too late to begin. The present impact evaluation, conducted in 1982, can now serve as a baseline for follow-up surveys in the future.

F. SUMMARY OF FINDINGS CONCERNING THE D.A.I. COOPERATIVE EVALUATION SYSTEM

STRENGTHS

For the present evaluation, the consultants found 83 of the 143 suggested study questions in the DAI system to be relevant. Practically all questions regarding (1) Project Inputs, (2) Intervention Strategy, (3) Institutional Purposes, (4) Beneficiary Purposes, and (5) Project Goals were found to be useful as well as important. We further consider the DAI system to integrate well with the Logical Framework methodology --serving planners as much as evaluators.

WEAKNESSES

The so-called "indicators" of the DAI system are not indicators at all but merely lists of variables, because they totally lack norms or criteria for distinguishing between adequate and inadequate project performance. This absence of performance criteria greatly dilutes the DAI system's usefulness to planners and evaluators. Similarly, DAI has made no effort to prioritize its study questions, which leaves too much discretion to the user to pick and choose. A further deficiency involves inadequate guidance on how to collect different kinds of data from different sources; by only listing types of sources, DAI guidance in this area becomes merely trivial. Finally, we believe the DAI system's biggest weakness is that, as presently written, it appears to be dependent on U.S. professionals and AID financing. The system is simply too expensive for autonomous application by most overseas cooperative projects

using their own resources. In summary, the content of DAI's system per se (particularly the study questions) makes considerable sense, but DAI's guidance for system implementation does not.

With due allowance for its many shortcomings, the primary strength of the cooperative evaluation strategy used by the consultants with La Merced precisely compensates the greatest weakness of the DAI system. We have conducted the field portion of this evaluation entirely with-
out the participation of U.S. professionals. The very large farmer survey was carried out entirely by Bolivians, and the primary farm-level interviewers were themselves small farmers. We strongly urge that this kind of inexpensive, locally-controlled, farmer-implemented methodology be given serious consideration for future cooperative project planning and evaluation efforts.

CHAPTER II. INSTITUTIONAL EVALUATION

In this chapter we evaluate the performance of the ACDI/La Merced OPG from the "top-down". It covers project objectives, activities, and resource investments--the sum total of effort by Cooperative personnel and external advisors--intended to create a large and positive impact at the level of individual small farms throughout the Santa Cruz region. In Chapter III we will describe the project from the "bottom-up", documenting its impact on rural households both individually and collectively.

The present chapter is divided into five sections. First, we provide a brief background on the Cooperativa Multiactiva La Merced Ltd., reviewing its history, services, staffing, and its financial statements for the period 1978-1981. Next is presented additional background on the Small Farmer Credit Program, which began in 1974 or five years before the OPG itself. The third section is devoted to a summary of the components of ACDI/La Merced OPG No. 511-0533; it is based on the project's excellent "Logical Framework" and describes the OPG's principal targets and performance indicators.

The remaining two-thirds of the chapter are devoted to a detailed performance evaluation of the two central objectives of the project: (1) strengthening the Small Farmer Credit Program, and (2) Fortifying La Merced's Administrative Capacity.

A. BACKGROUND ON THE COOPERATIVE

La Merced was founded on October 22, 1961 with 63 original members and capital of \$b 6,000 (US\$500). It was initially chartered as a savings and loan institution with the name "Cooperativa de Ahorro y Credito Nuestra Señora de la Merced, Ltd." Almost nine years after its founding, La Merced modified its by-laws to become a multiple-services institution, changing its name to "Cooperativa Multiactiva La Merced, Ltd." In July 1973 the Cooperative again changed its by-laws to eliminate the distribution of net earnings to members, instead depositing such surpluses to a capitalization fund.

1. Services

After 21 years of operations, La Merced currently has some 42,500 members and total membership share capital contributions exceeding \$b 34.8 million (US\$791,000), making it the largest cooperative in Bolivia. La Merced offers its membership seven basic services: (1) Savings and Loans, (2) Small Farmer Credit, (3) Home Construction and Financing, (4) Consumer Stores, (5) Pharmacies, (6) Health Services, and (7) Education.

Headquartered in the city of Santa Cruz, the Cooperative's main office is located at 363 Calle Junfn. Also located in Santa Cruz are eight branch offices offering savings and loans services as well as four consumer stores. Outside Santa Cruz, La Merced operates in six provincial locations. These include (1) savings and loans, plus small farmer credit services, in a rented office in Montero; (2) small farmer credit services in a temporary office in Villa Busch Yapacani; (3) small farmer credit, farm inputs, pharmacy, and a consumer store in Mairana, all located in a building owned by La Merced; (4) small farmer credit in a borrowed office in Chané-Independencia; (5) a mobile service of small farmer credit and rural savings in San Juan Yapacani; and (6) a savings and loan office in Monteverde.

2. Staffing

To attend this service network, La Merced has a program staff of 60 and an administrative staff of 23 employees. By service departments, the program staff is distributed as follows: Savings and Loans--22, Small Farmer Credit--8, Home Construction and Financing--6, Consumer Stores--11, Far-

macies--6, Health Services--4, and Education--3. La Merced's employees are supplemented by the services of 13 professionals who work for the Cooperative on an honorarium basis. These include the Executive Director, Internal Auditor, Legal Advisor, and ten physicians of different specialties.

It is necessary to highlight the exceptional dedication of Dr. Adalberto Terceros B., who serves as the Executive Director of La Merced and President of its Administrative Council. He has provided the essential thread of continuous and strong leadership of the Cooperative since its inception; the growth and service expansion of La Merced--its exceptional social consciousness--is inseparably linked with the vision and energy of Dr. Terceros. His active and continuing involvement in all aspects of the Cooperative's operations has been erroneously described by other observers as excessive paternalism. But in the opinion of the consultants, Dr. Terceros has demonstrated a willingness to decentralize responsibility whenever his subalterns have proven willing and capable to assume decision-making functions. Indeed, under the OPG significant progress was made in the reorganization and decentralization of La Merced's administrative structure.

3. Financial Statements

It was not the purpose of this evaluation to conduct a comprehensive analysis of the financial status of La Merced, nor the effectiveness of its services as a whole, but rather to focus on the Small Farmer Credit Program and other activities supported under the OPG. Even so, the consultants reviewed the Cooperative's financial statements for the four year period 1978-1981. A summary--in comparative format--is presented in Annex C. From these figures a number of very broad indicators of the Cooperative's economic performance can be measured. Collectively they paint a picture of overall strength accompanied by several negative trends and growing weaknesses.

TOTAL ASSETS: Between 1978 and 1981 La Merced's total assets grew by 38 percent, from \$b 94.8 million to 130.6 million. Despite an absolute decline in 1980, the average annual growth in assets has been 12 percent, including a 21 percent increase since the beginning of the OPG.

MEMBER SHARE CAPITAL: Over the four-year period member share capital grew from \$b 26.1 million to 29.3 million pesos, an increase of 12 percent (or 3 percent per year) despite a net absolute decline in 1979. Since the beginning of the OPG there was a 17 percent growth in member share capital.

NET OPERATING INCOME: For three out of the four years of the 1978-1981 period, La Merced ran operating deficits. These grew from \$b 4.4 million in 1979 to \$b 6.5 million in 1981. However, with previous surpluses and other income the Cooperative was able to cover these losses through 1981.

INDEBTEDNESS: Short-term indebtedness grew by 45 percent over the four-year period, reaching \$b 39.4 million in 1981, or about \$b 900 (US\$36) per member (based on a membership of 42,000). However, long-term debt grew by 216 percent during the same period, reaching \$b 34.8 million in 1981, or about \$b 800 (US\$32) per member. In terms of relative shares of the debt burden, long-term debt grew from 29 to 47 percent of total indebtedness. Ordinarily, such a shift would indicate that the cooperative had gained some breathing room and greater flexibility with regard to its obligations. However, there are two factors which would discourage optimism on this score. The first is that the total debt burden of La Merced increased by \$b 36.1 million (US\$1.4 million), a 95 percent increase in only four years. This means that indebtedness is growing twice as fast as total assets and almost eight times faster than the average annual growth of member share capital. Secondly, considering that much of the long-term debt must be repaid in dollars--while most income and share capital contributions are received in devaluation-prone local currency--La Merced's financial status at the end of 1981 could be described as already highly vulnerable.

INDEX OF SOLVENCY: This indicator measures current assets as a percentage of current liabilities. The index was 1.45 in 1978 and declined slightly to 1.39 in 1981. That the decline was not much larger is due to La Merced's restructuring of its debt burden toward long-term obligations.

DEBT CAPACITY: A business can measure its capacity for further borrowing by calculating its total debt as a percentage of total assets, with 75 percent considered a reasonable limit. From 1978 through 1981, La Merced's total debt grew from 40 to 57 percent of assets, indicating a negative trend but one which is still within safe limits.

FINANCIAL AUTONOMY: The consultants consider this indicator to be the "acid test" of a cooperative's financial and institutional strength. Financial autonomy is measured by calculating member share capital as a percentage of total assets. Over the four-year period La Merced's financial autonomy declined from 28 to 22 percent. This means that by the end of 1981 slightly more than one-fifth of the Cooperative's assets were owned by its members versus four-fifths by its creditors. As savings and loan cooperatives go, financial autonomy below 25 percent is considered quite low, but when compared with the norm for agricultural cooperatives the figure is on the high side simply because most co-ops serving the rural sector in the Third World fail to emphasize or mobilize large amounts of member savings.

B. BACKGROUND ON THE SMALL FARMER CREDIT PROGRAM

The Small Farmer Credit Program ("Programa de Prestamos Campesinos") was begun by La Merced in 1974. In addition to its own capital contributions to this program, the Cooperative received two US\$10,000 loans --at six percent annual interest--from the Mennonite Economic Development Association. These MEDA loans were eventually repaid in full. At the outset of the OPG, the Small Farmer Credit Program had a loan portfolio of \$b 2.9 million (US\$116,000) and 502 borrowers. The average loan value was \$b 5,850 (US\$234). However, loan delinquency had risen to 70 percent. By 1979 the Program was stumbling badly. It lacked a rational administrative structure, clearly-defined procedures, loan enforcement discipline, adequate farm-level follow-up and extension education. Operating income covered only a fraction of Program costs.

During the Program's first year, farmer loans were made through the normal lending division of the Cooperative (Sección de Prestamos Corrientes) and utilized the same loan documentation as the rest of La Merced's borrowers. But in 1975 the Cooperative established Small Farmer Credit as a separate division. However, due to the instability of its directors, Prestamos Campesinos never managed to become a truly autonomous operation, and field staff frequently reported directly to Dr. Adalberto Terceros. The first director was Sr. Oscar Antonio Subirana, who held the post for less than a year. He was replaced by Ing. Pedro Justiniano, who occupied the position in 1976-1977. The third director was Roger Saucedo Urquidi (1978), the fourth was Ing. Wilde Urquidi (1979-1980). It was only in late 1981 that a strong and effective leader for the division was finally named--Sr. Luis Soria--who had first joined the Program as a field agent in 1975 (with responsibility for the zone of Yapacani).

In addition to problems in maintaining the continuity of its senior staff, the Small Farmer Credit Program experienced considerable difficulty in keeping permanent field and administrative staff. Many were trained and tried for brief periods of time: Alfredo Barba, Arminda de Kimm (Central Office), Luisa Leitón (Puerto Fernandez), Duleardo Arteaga, Urbano Patiño (Mairana), Emilio Montero (Montero), Alberto Luna (Chané), and Fumiko Yamamoto (Piraf). At present there remain seven staff members with on-the-job continuity ranging from four years to 18 months. They are Hildeberto Bazán (4 years), Walter Arteaga (3 years), Tito Villica (3 years), Crinóatomo Santivañez (18 months), Justina Mardex (18 months), and Aida Mendoza (18 months).

Despite its many problems, La Merced's Small Farmer Credit Program was considered to have high potential as an efficient channel for moving production credit into the hands of the region's low-income rural producers. For example, in 1979 almost one-tenth of the Cooperative's membership were categorized as small or medium-sized farmers, and of these less than 15 percent were receiving production credit from La Merced. Furthermore, considering the small-farmer population of the Santa Cruz region as a whole, the potential demand for production credit was virtually unlimited since less than five percent of these growers had access to farm loans from the Bolivian Agricultural Bank or other institutionalized lenders.

In early 1979, Mr. Robert Flick of ACDI conducted an analysis of the Prestamos Campesinos Program and provided recommendations for strengthening and expanding its operations. Most of the suggestions contained in this very useful report were later to be incorporated into the subsequent OPG proposal. On July 1, 1979, a technical assistance agreement was signed between ACDI and La Merced which authorized ACDI to help the Cooperative prepare a project to improve its small farmer lending activities. Late that same month, consultants Robert Flick and Dr. Héctor Acevedo completed an "Institutional and Financial Analysis of the Cooperativa Multiactiva La Merced, Ltd." In mid-August ACDI and La Merced submitted to USAID/Bolivia a proposal for an "Operational Program Grant: La Merced Small Farmer Credit Project."

The proposal was approved August 29 by AID/Washington. It was denominated OPG No. 511-0533. The grant was budgeted at US\$496,000, which included US\$176,000 to be given to La Merced to expand the loan capital of the Small Farmer Credit Program. The OPG agreement also specified local contributions to the project by La Merced valued at US\$632,702, including \$b 2.5 million (US\$128,300) to be also invested in expanding the Program's loan portfolio.

In October 1979, Mr. Steve Wiles began work in Bolivia as the Resident Advisor of the OPG project. He was to provide 32 months of work, ending in May 1982. He was accompanied on different occasions by short-term ACDI advisors, and by Bolivian consultants from Price Waterhouse.

The OPG agreement was amended four times. The first amendment (August 1979) authorized funds budgeted for 1981 expenditure to be transferred to fiscal year 1982. The second amendment (August 1981) reformulated the original budget (without changing the total amount); it also changed the project's very detailed "Logical Framework", altering several performance indicators and targets to make them more realistic. The third amendment (November 1981) authorized the disbursement of the final US\$91,000 owed under the original grant agreement. The final amendment extended the project termination date through June 1983; it also authorized unspent balances under the grant to finance a campaign to mobilize rural savings.

C. COMPONENTS OF THE O.P.G.

The ACDI/La Merced OPG No. 511-0533 is comprehensively and effectively summarized in the project's "Logical Framework"--a planning/evaluation matrix which is usually required of most AID-sponsored development project proposals. The matrix requires project planners to clearly specify the overall purpose, specific objectives, required activities, and resources necessary for successful implementation of their proposed undertaking. The matrix further requires specification of performance indicators, targets, and how they are to be measured. In the opinion of the consultants, the logical framework methodology is one of the most useful tools currently available to development practitioners. Unfortunately, the methodology is seldom taken very seriously. All too frequently, logical frameworks are completed under duress, or as an afterthought by project planners, and are usually forgotten once disbursements begin.

Fortunately, OPG 511-0533 is an exception to the rule. Its logical framework was completed with great care. It is extremely detailed and internally consistent. It was revised and updated one year into the project. Continuing attention was paid to monitoring its indicators throughout the duration of the project. In our opinion, we have never evaluated a rural development undertaking which contained a more effective logical framework. In fact, the careful design of this framework, and reasonable compliance with it, can be considered one of the central strengths of the project itself.

In this section we will briefly review the project's components as they were specified in its logical framework. For reasons of clarity and professional preference, we have altered slightly some of the original terminology and rearranged some of the framework's content.

1. Project Purpose

The ultimate goal of OPG 511-033 was to increase the income and standard of living of small farmers who are members of the Cooperativa Multiactiva La Merced, Ltd.

This was the weakest part of the matrix. No specification of a quantifiable target for increased income was given. Nor was any definition established as to what would constitute an acceptable or successful improvement in living standards. The framework mentions only one ambiguous indicator:

that a net increase in income or assets (haber neto aumentado) will be observable among farmer-members who take out loans on a regular basis. This and other farm-level benefits of the Small Farmer Credit Program were to be documented by opinions gathered from loan users, and observations by credit supervisors and other employees of La Merced.

No doubt, the vagueness which characterizes the measurement of the project purpose was partly due to a belief that farm-level benefits would be difficult to quantify--particularly within the brief span of the OPG itself. Nevertheless, as will be documented in considerable detail in Chapter III of this report, the income and welfare impact of the project is already quite measureable and dramatically positive.

2. Specific Project Objectives

To achieve increased income and well-being among farmer-members, the OPG specified two concrete objectives. The first was to strengthen and expand the Small Farmer Credit Program of La Merced via the provision of short- and medium-term loans, sale of farm supplies, and provision of technical assistance. The second objective was to fortify the administrative capacity of La Merced, preparing it for the more complex decision-making and administration required by such a large cooperative.

STRENGTHENING THE SMALL FARMER CREDIT PROGRAM

The achievement of this objective was to be measured by the following indicators and targets: (1) achieve a loan portfolio of \$b 9.5 million (US\$380,000); (2) increase the value of the average loan by 135 percent; (3) limit medium-term loans to a maximum of 20-30 per year, or 80 over three years; (4) achieve that the majority of loan users employ improved technology and equipment; (5) increase the number of hectares under cultivation by 25 percent among medium-term loan users; (6) increase by 10 percent per year the number of farmer-members; (7) achieve an increase in rural savings of 15 percent per year; and (8) reduce the loan delinquency rate by 25 percent the first year, 20 percent the second year, and 10 percent the third year.

FORTIFYING LA MERCED ADMINISTRATIVE CAPACITY

The achievement of this objective was to be measured by four performance indicators, as follows: (1) creation of a departmentalized organization, with decision-making responsibility delegated to each department chief; (2) creation of a budgeting and accounting system by departments, allow-

ing each to measure its own operating profit or loss; (3) prepare and place in use manuals for administration, accounting, and personnel; and (4) achieve that the Board of Directors undertake long-range planning, setting targets and objectives for the Cooperative.

3. Activities to Meet Objectives

SMALL FARMER CREDIT PROGRAM: To achieve the first project objective, six activities were identified, as follows: (1) specification of farmer lending procedures via the creation of an official set of rural credit regulations (Reglamento de Prestamos Campesinos); (2) train employees of the Small Farmer Credit Division--including the division chief, an administrative assistant and secretary for the Central Office, a part-time assistant in Mairana, and credit agents in Villa Busch, Chané, Montero, and Yapacaní; (3) establish, train, and make operational a Central Credit Committee; (4) establish, equip, supply, and place in operation rural farm supply stores operating in Mairana, Villa Busch, and Chané; (5) implement a training program for small farmers covering the subjects of animal traction, crop techniques, equipment maintenance, farm planning and administration, livestock practices, cooperative theory, credit regulations, and others; and (6) closely coordinate project activities with public and private sector institutions serving the rural sector in the Santa Cruz region.

LA MERCED ADMINISTRATIVE CAPACITY: To achieve the second project objective, again six activities were identified, as follows: (1) reach an accord on new administrative and organizational procedures, formalizing them in a Procedures Manual; (2) establish a plan of accounts and Accounting Manual; (3) establish a procedures manual for internal audit; (4) establish a Personnel Manual which describes all posts, responsibilities, and clearly delineates delegation of authority; (5) establish departmental budgets and periodic budget reports by each department; (6) conduct a training seminar for Cooperative officers covering delegation of authority, decision-making responsibility, budgeting theory, cooperative principles, etc.

For most of the activities listed above, the logical framework specified target deadlines for their achievement, thereby converting the activities list into an implementation plan.

4. Resources

To achieve the separate sets of activities cited above, the project's logical framework divided resource contributions into two categories: AID/ACDI and La Merced. As originally budgeted, AID/ACDI contributions came to US\$496,000. The La Merced contribution was originally budgeted at US\$632,702 but subsequently was reduced to US\$596,850 under the third project amendment.

AID/ACDI RESOURCE CONTRIBUTIONS

External resource contributions were to include (1) 32 months of an ACIDI Resident Advisor, from October 1979 to May 1982; (2) a training program for farmer-members covering 200 meetings (charlas), 5 field days, 3 weekly radio program, and 3 pamphlets; (3) an ACIDI Management Consultant (Asesor de Alta Gerencia) who was to visit the project on three occasions; (4) visits by ACIDI/Washington staff; (5) visits by local Bolivian consultants; (6) donation to capitalize the Small Farmer Credit Program loan portfolio valued at US\$176,000; and (7) funds to finance a final evaluation of the project.

LA MERCED RESOURCE CONTRIBUTIONS

For its part, La Merced was to contribute (1) \$b 2,760,000 (US\$138,000) in existing capitalization of the rural loan portfolio; (2) an additional \$b 2,566,000 (US\$102,640) by the end of the project; (3) a total of three-years administrative costs of the Prestamos Campesinos Program valued at US\$306,189; (4) contribute US\$175,000 in salaries, equipment, and operating capital to each of the three farm supply stores to be established in Mairana, Villa Busch, and Chané (total: US\$525,000); (5) provide the ACIDI Resident Advisor with an office; (6) provide the rural credit program with a vehicle; (7) pay the salaries of five Prestamos Campesinos employees--the Director, an agronomist, a secretary, an administrative assistant, and another assistant; and (8) provide motorcycles to the program's field staff operating out of Mairana, Chané, Villa Busch, San Juan Yapacani, and the Central Office.

D. SMALL FARMER CREDIT: COMPLIANCE WITH PERFORMANCE TARGETS

In this section we will first review project compliance with the eight indicators specified to measure successful achievement of the objective to strengthen the Small Farmer Credit Program. We will then review the six activities that were to be implemented to achieve that objective, and then determine if all resource contributions were contributed as planned.

INDICATORS OF SUCCESSFUL ACHIEVEMENT OF THE PROJECT OBJECTIVE

1. Achievement of a Rural Loan Portfolio of \$b 9.5 Million

The target was to increase the loan portfolio from \$b 2,936,656 (the amount existing as of September 1, 1979, before OPG activities began) to \$b 9,500,000, for a net increase of \$b 6,563,344 in new capitalization. The target was simply determined by adding the planned contribution of AID--equivalent to \$b 4,267,600 or 65 percent of the new capital to be raised--and La Merced's planned contribution of \$b 2,303,250 or 35 percent of the new resources.

The \$b 9.5 million target was not only achieved but actually surpassed by 16 percent. As of August 30, 1982, the Program's total rural loan portfolio stood at \$b 11,062,252. This represents a 68 percent expansion in the resource commitment pledged by La Merced. This result is especially meritorious considering that the additional resources were contributed during a period of severe political unrest and economic distress in Bolivia. Then too, it came at a time of severe contraction of credit resources being made available to the rural sector by public and private sector lending institutions.

Even so, the achievement was not an unqualified success. As shown below, while the peso value of the portfolio increased by 277 percent, the number of loans only increased by 33 percent--from 400 (1979-80) to 598 (1981-82). Furthermore, Bolivian currency suffered a 25 percent devaluation in late 1979 (from \$b20 to 25 per US\$1) and again a 76 percent devaluation in February 1982 (from \$b25 to 44 per US\$1), with unofficial dollar exchange rates soaring far beyond 100 pesos. But even if only calculated at the official rate, the dollar value of the loan portfolio only increased by 71 percent. Domestic prices in Bolivia are generally

very much in line with changes in the dollar exchange rate. Even under normal circumstances, domestic inflation in Bolivia is usually estimated at not less than 50 percent per year. In real terms, then, the very impressive 277 percent expansion of the peso value of the Small Farmer Credit Program's loan portfolio has been wiped out by drastic currency devaluations and domestic inflation. Even so, considering the nation's unstable political and economic environment, merely maintaining the portfolio's real value constitutes a remarkable achievement.

| <u>Period</u> | <u>Loans Made</u> | <u>Portfolio Value</u> | |
|---------------|-----------------------|------------------------|---------|
| | | PESOS | DOLLARS |
| 9/1/79 | - | 2,936,656 | 146,833 |
| 1979-80 | 400 | 3,922,611 | 156,904 |
| 1980-81 | 566 | 6,484,015 | 259,361 |
| 1981-82 | 598 | 11,062,252 | 251,415 |

The above figures would clearly suggest that any increase in the number of loans made will result in a lowering of average loan value and/or a credit rationing situation. Program management already anticipates the inevitability of credit rationing and estimates that it will cause delays of up to one month in servicing credit applications.

In passing, it bears mentioning that outside consultants have recommended the Program make loans exclusively for agricultural and livestock purposes. After considerable internal debate, La Merced elected to allocate 70 percent of its rural loan portfolio to crop and livestock production credit and 30 percent for other uses. We wholeheartedly endorse the policy chosen by the Cooperative. The impact evaluation (see Chapter III) shows that non-agricultural investments are very important to rural households. Even though 76 percent of all families interviewed list agriculture as their primary occupation, no less than 42 percent list "commercial activities" (negocios) as a major source of income. These business operations include small stores or kiosks, tractor driving, transport services, carpentry, tailoring, masonry, broom-making, slaughter houses, hide tanning, and many others. Loans for non-agricultural uses allow farm families to exploit many income opportunities currently available in rural areas. And thanks to La Merced's 1:2 and 1:3 ratios of savings to loan values, greater flexibility in loan use should create additional incentives for rural savings.

In the final analysis, La Merced's rural members are not farmers per se; rather, they are farm households--families with multiple needs, talents, and resources which face many alternatives for gainful employment that transcend agricultural or livestock enterprises. The Cooperative's first and foremost responsibility is serving the needs of its members, not generating increased food surpluses for urban consumers. We view La Merced's 70/30 loan portfolio distribution as not only correct, but worthy of emulation by other rural lending institutions.

2. Increase of 135 Percent in Average Loan Value

Obviously, this indicator is closely linked with the expansion of the loan portfolio value. At the outset of the OPG project, the average loan value stood at \$b 5,850. After one year (1979-80) it had grown to \$b 6,717, a modest 15 percent increase. However, after two years (1980-81) the figure leaped 66 percent to \$b 11,179, and after three years (1981-82) it soared another 108 percent to \$b 23,240. The overall increase between September 1979 and September 1982 was 279 percent. In other words, the performance target was exceeded by 144 percent. Of course, in dollar equivalents, the increase was considerably less spectacular, growing from US\$292 to US\$528 for a gain of 81 percent. This result is not only below the target but also failed to keep pace with the rate of domestic inflation. In real terms, the best we can say is that the project was reasonably successful in sustaining the purchasing power of its average farm loan.

3. Limit Medium-Term Loans to 20-30 Per Year

The Program defines a medium-term loan as one which is amortized within a period exceeding 12 months. The target limitation for such loans was not met. In the first year (1979-80) there were 32 medium-sized loans, in the second year 50 loans, and in the third year 63 loans. The total for the three-year period is 145 loans, which represents an excess of 65 loans over target.

The consultants conducted an analysis of all loans made between September 1, 1981 and August 30, 1982. Of these 63 loans, 38 (60 percent) were less than \$b 50,000; there were another 16 loans (25 percent) between \$b 50,000 and \$b 100,000; and 9 (14 percent) over \$b 100,000. In other words, while the number of medium-sized loans was excessive--at least relative to the planned target--the value of these loans was kept within reasonable limits i.e., below 25 percent of the total loan portfolio.

Two observations are in order. The 20-30 loan limitation is itself a de facto credit rationing system, designed to keep larger and more affluent farmer-members from absorbing a disproportionate share of the total available loan resources. On the other hand, since loan amounts are tied to each member's level of savings and the number of loans he has repaid, any limitation on medium-term loans will tend to discourage further share capital investments by the Cooperative's largest savers. For this reason, we believe La Merced has acted correctly in exceeding the OPG target and that it would be unwise to set an arbitrary limit on the number of medium-term loans. Far more important is to set a limit--say 25 percent--on the value of medium-term loans as a percentage of the total loan portfolio, which is what the Cooperative has done.

Nevertheless, our review of medium-term loans leads us to the conclusion that their documentation has been deficient. The majority of the loans made in 1982 were not accompanied by a consistent farm plan capable of justifying the amount of the loan itself. This was especially true of loans exceeding \$b 100,000. Undoubtedly, most of these loans went to farmer-members with an excellent repayment record for previous borrowings and who are producers of obvious solvency. Still, the operating rule should be that all loans, large and small, be documented by an adequate investment plan. And precisely because they involve larger amounts of money, for longer periods of time, and tie-up resources at a time of soaring credit demand, medium-term loans granted by La Merced should be the best documented of all its portfolio, not the worst. Indeed, under conditions of credit rationing, one of the best criteria for selecting loan recipients is the quality and consistency of the credit use plan.

4. Increase Farmer-Members by 10 Percent Per Year

At the outset of the OPG, the number of La Merced's farmer-members was estimated at 3,222. To meet the target specified in the indicator, membership increases of 322, 354, and 390 during the first three years of the project were required, which would bring the total number of rural members to 4,288.

The target was not reached. As of August 30, 1982 the total rural membership was measured at 3,932. The growth rate was eight percent in 1979-80, four percent in 1980-81, and seven percent in 1981-82. This resulted in an absolute shortfall of 356 or eight percent below the desired target of 4,288 rural members. Considering the political and economic instability which characterized the three-year period, the result must be considered successful even though the target was not reached; for under such conditions the target itself was unrealistic.

To their credit, both La Merced and the ACDI Resident Advisor refused to play a membership "numbers game". During the first year of the OPG they elected to screen rural membership records and select out all inactive members. In 1979-80, 119 inactive members were removed. It would appear that this screening process continued into the following two years also, because in 1980-81 membership withdrawals reached 279 and in 1981-82 they were followed by another 114. Unfortunately, the consultants were unable to find any written documentation certifying the total number of inactive members selected out each year.

The growth of rural membership is detailed below. Listed by year are new members, total membership, member withdrawals, and net active members. It will be noted that with regard to new members, the target growth rate was met or surpassed all three years.

| <u>Period</u> | <u>New Members</u> | <u>Total Members</u> | <u>%</u> | <u>Member Withdraw</u> | <u>Total Active</u> | <u>%</u> |
|---------------|--------------------|----------------------|----------|------------------------|---------------------|----------|
| 9/1/79 | - | 3,222 | | - | - | |
| 1979-80 | 409 | 3,631 | 13 | 123 | 3,508 | 8 |
| 1980-81 | 423 | 3,931 | 12 | 279 | 3,652 | 4 |
| 1981-82 | 394 | 4,046 | 10 | 114 | 3,932 | 7 |

5. Increase Rural Savings by 15 Percent Per Year

At the outset of the OPG, the accumulated total of rural savings was \$b 2,944,000. Based on a 15 percent growth rate, the targeted level of savings should have been \$b 4.5 million by the end of the third year. This target was exceeded by 113 percent. As of August 30, 1982, aggregate rural savings totaled \$9,522,823. Compared to the 1979 base level, the total increase in savings was a remarkable 223 percent. This result also compares very well with the absolute expansion of the peso value of the loan portfolio. Over the three-year period, the loan portfolio increased by \$b 8.1 million (see p.23), while at the same time total rural savings increased by \$b 6.6 million.

This excellent record of rural savings mobilization must be considered one of the central strengths of the OPG project. In a time of unprecedented economic and political disorder, both the level and growth rate of rural savings are indicators of high farmer trust in La Merced. This conclusion is confirmed in the impact evaluation. Of 251 rural households interviewed, 243 (97 percent) had significant savings in the Co-operative, with the average being \$b 10,697 (US\$107).

6. Reduce Loan Delinquency

The level of loan delinquency was 70 percent at the outset of the OPG. The target was to reduce this delinquency by 25 percent the first year, 20 percent the second year, and 10 percent the third. The 70 percent delinquency figure is based on number of overdue loans as a percentage of total loans. By this measure delinquency dropped to 23 percent after one year of the project (1979-80), to 9 percent after the second year (1980-81), and to 7 percent after the third year (1981-82). By this measure the target was greatly exceeded.

When loan delinquency is calculated in terms of the value of overdue loans as a percentage of the total loan portfolio, the decline is also impressive. In September 1979, delinquency (including unrecoverable loans) stood at 29 percent of the portfolio. This was reduced to 22 percent after the first year, to 22 percent after the second, and to 11 percent after the third. When loans classified as unrecoverable are

removed from the calculation, the delinquency level drops from 22 percent (in 1979) to 11 percent (August, 1982). At the time of the evaluation, delinquency had been reduced even further to nine percent (October 1982).

In addition to the above achievements, the Small Farmer Credit Program was also able to recover--during the OPG period--a total of 162 loans that had been declared unrecoverable for a total value of \$b 420,861 (US\$16,834 at the 25:1 exchange rate).

Overall, delinquency reduction is one of the most successful aspects of the project. Overdue accounts are very closely watched--classified by 1-6, 6-12, and over 12 months; also by the number of overdue installments. Up-to-date statistics on delinquency are kept by regional field office, and any abnormal increase is followed up immediately. Perhaps of greatest importance, the same field credit agents have the double responsibility of both helping to prepare loan requests and making loan collections. And finally, loan collections are programmed during or immediately following the harvest-marketing period for the crop financed, thereby forestalling opportunities for borrowers to spend harvest income on other items before having repaid loan obligations.

7. Use of Improved Technology by Loan Recipients

As will be documented presently, the project made serious efforts to educate small farmers in the use of improved farming techniques and equipment. However, this effort was directed at farmers in general--members as well as non-members--and ultimately the coverage of the training program was too narrow and too superficial to achieve significant results. Of 251 households interviewed during the impact evaluation, over 75 percent stated they had received no training or technical assistance from the Program. Of the 59 farm families that did receive training, 33 came from the Central Zone and 19 from the Mairana-Pampa Grande Zone.

The impact evaluation itself failed to ask respondents to comment on the extent to which they are employing improved technology learned from the Small Farmer Credit Program. What was asked was the extent to which they had purchased farm supplies from the Cooperative. Out of 251 respondents, only 30 (12 percent) said they had done so. This also reflects the poor outreach of the Program's input supply activities, for reasons to be described presently. This failure was made more critical by the fact that both currency devaluation and rapid price inflation made it nearly impossible for small farmers to purchase significant amounts of fertilizer, insecticides, and other imported farm supplies. In many instances these products were not even available for purchase, assuming a farmer had the cash to buy them.

On the other hand, farmers interviewed stated that one of the principal benefits of the Small Farmer Credit Program was that it was agile and rapid in its loan disbursements. This allowed them to purchase farm supplies and to plant or harvest their crops opportunely.

From these considerations it may be concluded that if modernized farming practices were adopted, this occurred mostly because farmers got their loans on time, which allowed them to purchase technology they already knew how to use. However, it is even more likely that the farm supplies purchased and the farming practices employed were mostly of the traditional variety and did not, in the majority of cases, involve innovations introduced or popularized by the Program. In itself, this does not constitute a Program failure. "Modern" technology is by no means synonymous with appropriate technology. High-yield farming methods often jeopardize small farmers (by increasing their costs and risks) more than they help them (by increasing income). This tends to be especially true when yield-increasing technology is promoted in the absence of a marketing program that assures small farmers will capture the income their higher productivity has made possible.

La Merced does not have such a marketing program. Its extension education effort has been weak. Its farm supply network is very limited. But the Cooperative has performed its most important job extremely well. It gets production credit to small farmers quickly and efficiently. This is the greatest service a campesino household can receive.

8. Increase the Number of Hectares Under Cultivation

As amended, this indicator applies only to medium-term loan users. The target was a 25 percent expansion in area planted. The consultants are unaware of any statistics gathered by the Small Farmer Credit Program that would permit easy measurement of area cultivated by credit users, whether they be short-term or medium-term. No baseline study of area cultivated was made at the outset of the OPG.

The impact evaluation provided a baseline for all credit users. The land holdings and area cultivated vary significantly among the four production zones surveyed. Overall, 50 percent of all credit users control farm holdings totalling less than 20 hectares, and 20 percent have less than five hectares. However, the large majority of farmers cultivate 3-4 hectares only because of limited family labor and capital resources. Potentially, given an adequate and growing supply of farm credit, rural members of La Merced would probably be able--on the average--to at least double and perhaps triple the area they currently cultivate. However, given presently available loan portfolio resources, such an expansion of cultivated land is clearly impossible.

ACTIVITIES TO ACHIEVE PROJECT OBJECTIVE

1. Establish Credit Regulations and Procedures

One of the principal functions of the ACDI Resident Advisor was to assist Prestamos Campesinos in the preparation of credit procedures, policies, and design of forms for small farmer lending. The credit regulations were completed June 11, 1980 in strict compliance with an OPG deadline. The document was prepared collaboratively between Steve Wiles, the Resident Advisor, and Ing. Wilde Urquidi, the former Director of Prestamos Campesinos. The regulations contain 14 chapters and 66 articles. Since its completion the document has suffered a number of revisions which allow it to better fit the difficult economic environment of Bolivia. Given the serious inflation and currency devaluation, loan interest rates have been continuously increased from 18 percent per year in September 1979 to 36 percent in July 1982.

Prestamos Campesinos has also developed a variety of useful forms that have greatly enhanced the timely collection, sharing, and use of data regarding loan activities. These forms include: (1) Prestamos Campesinos Monthly Report, (2) Notification to Borrower of Repayment Due Date, (3) Loan Request Form, (4) Loan Control Card, (5) Pop-Up File on Loans Due, (6) Monthly Work Planning Schedule, (7) Daily Control of Field Offices, (8) Technical Assistance Report on Medium-Term Loans, and (9) Investment Plan for Agricultural Loans. All of these forms are currently in active use.

The activity indicator, then, was successfully met.

Nonetheless, the consultants believe there is one area of loan use documentation which needs to be strengthened. The deficiency arises precisely because training of loan users in farm planning and administration has been weak. We strongly urge the Program to require that every borrower keep a simple daily journal or summary sheet describing the actual costs of production, labor and input use, yields, and net income of each crop enterprise financed. Such a form would (1) teach credit users rudimentary farm record-keeping skills, (2) allow users (and the Program) to compare planned with actual farming performance, and (3) permit the Program to evaluate the economic impact of its loans (at the farm-level) from one year to the next.

In Annex D we present a very simple format for measuring the performance of a single crop enterprise. It has a visual side, which allows it to be completed even by illiterate farmers, as well as a quantitative side that can be completed by anyone with 3-4 years of primary schooling. This format has been successfully field-tested by the consultants in over a dozen rural communities (130 farm households) throughout Bolivia. We have also demonstrated that the system can be supervised--at very low cost--by farmer-paratechnicians. In sum, we believe such a record-keeping system could be easily, economically, and effectively incorporated into the routine procedures of the Small Farmer Credit Program, resulting in important benefits for both the Program and its farmer-borrowers.

2. Train Employees of the Program

Prestamos Campesinos has five full-time and four part-time employees, as follows:

SR. LUIS SORIA MELGAR, age 45, is the Director of the Small Farmer Credit Program. Formerly a radio and television reporter, he joined the Program as a field agent in 1975. He was subsequently named as a special assistant to the Executive Director of La Merced and finally appointed as chief of Prestamos Campesinos in March 1981. Sr. Soria has a deserved reputation for dedication and getting things done. As a participant in the Central Loan Committee, he was instrumental in streamlining the review and approval procedures for farmer loan requests. He frequently contributes evenings and weekends to his job.

SRTA. AIDA MENDOZA CABRERA, age 22, is the Executive Secretary and also assists with loan review. She has work experience as a typist and secretary. She joined the Program in July 1981.

TITO VILICA SOLITO, age 27, serves as the Program's Agricultural and Livestock Specialist. He also has field agent coverage responsibility for Zone 4 B, Central Zone, with seven rural communities. Sr. Vilica joined La Merced in August 1980, after previous employment experience with a credit cooperative in Mineron, the National Rice Growers Cooperative Federation, and the Tropical Agriculture Research Center (CIAT).

WALTER ARTIAGA, age 24, joined the Program in October 1979. He had previous employment experience in a gasoline station and a travel agency. He serves as an Office Assistant at Program headquarters in Santa Cruz, and he also works as a field agent with responsibility for two program areas--Zone 4-A with 13 rural communities, and Sunday visits to the Chané-Piraf Colonization Zone--where he collects savings and disburses loans to farmer-borrowers.

CRISOSTOMO SANTIVANEZ, age 20, began work for the Program in July 1981. In addition to serving as a loan field agent for the Zone of Villa Busch Yapacani he is also in charge of the farm supplies store established by the Program in that colonization. However, the store has had no supplies to sell since mid-1982.

HILDEBERTO BAZAN S., age 32, is a rural school teacher. He works three days a week as a professor of mathematics, while the rest of the week he serves as the loan agent for the Mairana--Pampa Grande Zone. He also runs the farm supplies store located in Mairana.

SRA. BETTY HERRERA DE BAZAN, age 30, assists part-time at the farm supplies store in Mairana. She also works as a school teacher. Mr. and Mrs. Bazán joined the Program in June 1980.

SRA. JUSTINA MENDEZ, age 25, attends rural savings and loans out of an office located at the Colegio Fe y Alegría in Montero, where she also serves as a librarian. She has worked for the Program since August 1981.

SRTA. KUMIKO SASAMOTO, age 24, attends rural savings and loans every Wednesday for the Zone of San Juan Yapacani. The rest of her time she works as a secretary in the colonization's secondary school during the mornings, and in the afternoon teaches primary school.

Most of the training received by these and other employees during the OPG was provided by ACDI Resident Advisor Steve Wiles, and mostly provided on an informal, one-on-one basis. Among the skills Wiles taught Program staff are the following: (1) loan classification, by level of risk, (2) delinquency controls, (3) principles of credit supervision, (4) credit planning and repayment calendars, (5) administration by objectives, (6) farm planning, (7) how to conduct farm visits, (8) investment plans for short- and medium-term loans, (9) loan guarantees, (10) estimating asset value, (11) farm credit policy, (12) changing repayment schedules, (13) office administration, (14) cash flow analysis, and (15) how to collect unrecoverable loans. In addition, Wiles provided assistance to Program staff in the preparation of pamphlets and other extension materials for small farmer use. He also provided training in farming techniques.

The available evidence suggests that efforts to train Program staff during the OPG were quite intensive and fairly successful.

3. Establish a Central Credit Committee

The Resident Advisor devoted considerable attention to the formation of credit committees, both at the central and regional level. The implementation plan of the OPG actually specified the creation of six regional credit committees--four by mid-1980 and two more by mid-1981. These committees were to consist of members who were small farmer credit users and respected local leaders, persons familiar with the needs and credit worthiness of their rural neighbors.

The zonal committee idea was tested for six months in both Mairana and Chané. The results proved disappointing. Few farmers were encountered who were willing to give adequate time to committee responsibilities, and committee attendance was poor. Furthermore, the committees actually resulted in a slowing-down of the loan approval process. Finally, there was a tendency for committee members to show favoritism toward relatives and friends. The initiative was therefore abandoned.

In contrast, the Central Credit Committee was established and proved itself to be an effective organization. Wiles gave continuing training and supervision to committee members, attending most of the once-a-week (Friday) sessions. Among the individuals who participated (and received training) in this committee were Wilde Urquidí, Victor Ortega (Chief of La Merced's Ordinary Loans Department), Luis Soria, Alfredo Montero (Chief of the Collections Department), and José Rivero (Accounting Department).

4. Establish Zonal Farm Supply Stores

During the OPG two farm supply stores were established, one in Mairana and the other in Villa Busch. The third store planned in the OPG for location in Chané was not attempted. The Villa Busch store failed to receive enough supplies or conduct enough business to justify its existence. The only reasonably successful store was in Mairana. In addition to farm products, it offers consumer staples, pharmaceutical products, and educational supplies. Of 88 households interviewed in the Mairana-Pampa Grande Zone, 67 (76 percent) said they utilized this store. Of these users, 82 percent had received benefits from the pharmacy and 90 percent from the consumer products section. Two-thirds of all respondents cited the store's low prices as its principal benefit. The Mairana store began to turn a net profit beginning in August 1981. In recent months profits have been running close to US\$1,000 per month.

5. Small Farmer Training Program

During the OPG period, farmer training efforts by the Small Farmer Credit Program were advanced with a variety of mediums: newspaper articles, radio programs, pamphlets, field days, and rural meetings. La Merced publishes a newspaper called "Alborada", and over the three-year project period it carried 13 articles on subjects dealing with farm extension education. In Santa Cruz, the Cooperative sponsored weekly radio programs on two stations: "Cooperativismo en Marcha" on Radio Grigotá, and "Sobremesa Musical" on Radio Espectador. Additionally, weekly radio programs entitled "Cooperativismo y Agricultura" were sponsored by the Small Farmer Credit Program on the three regional radio stations of Mairana, Ichilo of Villa Busch, and Montero. In the area of pamphlets, the Program published and distributed three of its own publications--on La Merced, on Rural Credit, and on Cooperativismo. An indeterminate number of pamphlets by other institutions such as the Ministry of Agricultural and the Center for Tropical Research (CIAT) were also made available to rural families.

The OPG specified a target of 200 rural meetings ("charlas") for dissemination of extension education. Over the three-year period of the OPG, the Program managed to conduct 109 meetings. Seven charlas were conducted in 1980, 43 in 1981, and 29 in 1982. A total of 1,205 farmers attended these meetings, resulting in an average attendance of 11 persons. The consultants elected to investigate this area of the project in considerable detail, first to examine the intensity of training activities by community, and second to determine subjects covered.

The breakdown of rural meetings by community and by year is given below. The listing--based on payment receipts to field staff--gives a total of 21 communities. Of the 109 charlas, 57 (52 percent) were restricted to only three communities. Furthermore, at least seven communities and 77 charlas (71 percent) took place in the Central Zone to which the Program agronomist, Tito Villica, was assigned loan coverage responsibility. This result is confirmed by the data collected in the impact evaluation, where 33 of 45 farm households interviewed (73 percent) said they had received technical assistance or extension education from the Program.

Most of the meetings were held at night, when it was easier for small farmers to attend without interrupting their farming responsibilities. The meetings did not restrict themselves to loan users or even Cooperative members; rather, the invitation was generalized to members as well as non-members. Before and after such meetings, the visiting Program technician would attempt to conduct Program business--for example, deliver loan installments, collect amortizations, or gather savings deposits.

ANALYSIS OF FARMER TRAINING ACTIVITIES

| Community | 1980 | | 1981 | | 1982 | | Total | |
|-------------------|----------|-----------|-----------|------------|-----------|------------|------------|--------------|
| | Char. | Part. | Char. | Part. | Char. | Part. | Char. | Part. |
| San Luis* | 1 | 10 | 11 | 112 | 6 | 64 | 18 | 186 |
| Tarumá* | 1 | 9 | 12 | 124 | 8 | 112 | 21 | 245 |
| Jorochito* | 1 | 8 | - | - | - | - | 1 | 8 |
| Pampa Grande | 1 | 11 | - | - | - | - | 1 | 11 |
| Antofagasta | 1 | 10 | 2 | 16 | - | - | 3 | 26 |
| Litoral | 1 | 14 | 1 | 12 | - | - | 2 | 26 |
| Colonia Piraf | 1 | 10 | 2 | 32 | - | - | 3 | 42 |
| San Franilla | | | 5 | 76 | 1 | 8 | 6 | 84 |
| San José* | | | 5 | 61 | 3 | 33 | 8 | 94 |
| Limoncito* | | | 14 | 143 | 4 | 47 | 18 | 190 |
| Las Gamas* | | | 2 | 22 | 1 | 6 | 3 | 28 |
| Los Tabijos* | | | 7 | 66 | 1 | 15 | 8 | 81 |
| Villa Barrientos | | | 2 | 17 | - | - | 2 | 17 |
| Quebrada Estancia | | | 1 | 7 | - | - | 1 | 7 |
| San Lorenzo | | | 2 | 19 | 2 | 18 | 4 | 37 |
| Hardeman | | | 1 | 30 | 1 | 20 | 2 | 50 |
| Todos Santos | | | 2 | 28 | 1 | 9 | 3 | 37 |
| Siringal | | | 1 | 3 | - | - | 1 | 3 |
| Urubó | | | 2 | 14 | - | - | 2 | 14 |
| Okinawa | | | 1 | 9 | - | - | 1 | 9 |
| Valle Abajo | | | | | 1 | 10 | 1 | 10 |
| | <u>7</u> | <u>72</u> | <u>43</u> | <u>791</u> | <u>29</u> | <u>347</u> | <u>109</u> | <u>1,205</u> |

* Communities in the Central Zone

The content of the charlas and field days was distributed somewhat as follows:

ANIMAL TRACTION: There were nine demonstrations in Mairana, one in Surutú, and one in Villa Busch. These were conducted in conjunction with the Mennonites and attempted to introduce new animal-drawn plowing implements. After a year of testing the initiative was abandoned for reasons of excessive cost and unsuitability of local draft animals.

CULTIVATION TECHNIQUES: The Program agronomist as well as the Resident Advisor gave talks covering the following crop techniques. Soil analysis (11), soil conservation (5), tomato cultivation (2), potatoes (4), pineapple (8), sugarcane (7), rice (2), corn (8), beans (2), soya (5), weed control (8), associated crops (1), moth control in grain storage (2), general agricultural training (8), raising swine (2), raising cattle (10), and livestock health practices (11).

FARM PLANNING AND ADMINISTRATION: This subject was only taught to users of medium-term loans. Of a total of 145 medium-term loans in three years, farm planning was apparently utilized in only nine cases. The farm planning form designed by the Resident Advisor is not being used; instead, a simpler format has been introduced which contains a few planning aspects.

The existing forms need to be improved, but their use too is currently inadequate. The completed farm plan--either the original or a copy-- should always remain in the custody of the credit user so he can use it as a tool to monitor his performance and improve farm decision-making. To file this plan exclusively at the Program office, as part of the loan documentation, virtually defeats half its purpose.

COOPERATIVE THEORY: In three years, only eight charlas were given on this subject, which must be considered totally inadequate considering that there are at least 60 rural communities where the Program is operating. The consultants recommend that the Program design a comprehensive member training program on the subject of cooperativism, based on study groups, using a highly participatory methodology, and using local leaders to conduct follow-up.

CREDIT REGULATIONS: Only five charlas were given on the Program's credit regulations, again very inadequate coverage. We believe that all farmer borrowers should receive a 30-45 minute briefing or lecture on credit regulations, delinquency sanctions, and cooperativism before receiving their loans--whether they be first-time or repeat credit users.

In summary, farmer training under the OPG was deficient, whether measured against the targets established in the project plan, or when evaluated in terms of loan user coverage and failure to establish routine and continuous training contacts. For farmer training efforts to succeed in the future, more than a comprehensive training plan is needed. So important is this area that it merits, at the very least, a full-time staff member to coordinate and implement training activities. Even then, one person cannot get the job done by himself. The consultants recommend that the Program give serious consideration to a program for training rural farmer-leaders to train other farmers. Such rural paratechnicians might work on a part-time basis--say five days per month, one charla per week--in their own and neighboring communities. Such services would be reimbursed with a modest honorarium of perhaps US\$25-50 per month. And in addition to training functions, the paratechnician could be utilized to supervise credit plans and farm record-keeping activities. The impact evaluation for this report was conducted at the farm level precisely by farmer-paratechnicians such as those recommended above.

6. Coordination with Other Institutions

The final activity specified in the project implementation plan was for the Program to establish close collaborative relationships with other institutions. During this evaluation the consultants found evidence that Prestamos Campesinos, at one time or another, made contact or conducted joint activities with the following rural sector organizations: (1) Agronomy faculty of Gabriel René Moreno University; (2) Consortium for International Development (CID); (3) British Mission in Santa Cruz; (4) Center for Tropical Research (CIAT); (5) Agricultural Cooperative "El Progreso del Torno"; (6) Integral Cooperative of Montero; (7) Center for Labor Training (FONO); (8) Criollo Cattle Project of the Saavedra Experiment Station; (9) ARADO, a national federation of peasant farmers; (10) DESEC, a private-sector rural development organization; (11) Bolivian Agricultural Bank (BAB); and (12) Integral Cooperative of San Juan de Yapacaní.

AID/ACDI RESOURCE CONTRIBUTIONS

1. ACDI Resident Advisor

The project OPG called for 32 months of an ACDI Resident Advisor to supervise and implement project activities. His assigned responsibilities were specified as follows: (1) assist Program staff to restructure and expand the Small Farmer Credit Program; (2) prepare a set of credit procedures, forms, and regulations; (3) assist in selecting and training credit field agents and supply store managers; (4) assist in preparing work descriptions for Program staff; (5) organize, train, and supervise local credit committees and a central credit committee; (6) supervise farmer loans and the activities of loan agents; (7) supervise the operations of the rural loan offices and supply stores; (8) assist and orient the collection of data and statistics for periodic project evaluation as well as the final evaluation; (9) organize and supervise the farmer extension education program; (10) coordinate project activities with other institutions serving the rural sector; (11) develop investment plans for different crops and investments by small farmers; (12) contract for the preparation of a new Accounting Manual; (13) prepare reports on project progress ("PIP reports") every four months; (14) prepare a baseline report on Program status at the outset of the OPG; and (15) comply with any additional functions to be assigned by ACDI/Washington.

The Resident Advisor's compliance with many of these responsibilities has already been alluded to previously in this report. Based on our review of available documentation, combined with interviews with existing Program staff, we believe that the level of compliance of Steve Wiles with the very ambitious scope-of-work described above was generally excellent.

2. Training Program for Small Farmers

Some US\$14,000 was budgeted in the original OPG budget for local training. This sum was not completely spent, and as a result the extension education component of the project did not achieve its performance targets. Unspent balances from this account and others of the OPG are to be invested in a Rural Savings Mobilization Program. These balances total US\$14,286. The objective of the campaign is to mobilize \$b 8.0 million pesos by October 15, 1983.

3. US\$176,000 Donation to Capitalize Loan Program

The full US\$176,000 of AID funds to expand the Program's loan capital was received by La Merced as follows:

| <u>Disbursement Date</u> | <u>US\$</u> | <u>\$b Pesos</u> | <u>Exchange Rate</u> |
|--------------------------|---------------|------------------|----------------------|
| October 24, 1979 | 25,000 | 509,500 | 20.28 |
| December 14, 1979 | 25,000 | 612,750 | 24.51 |
| March 24, 1980 | 30,000 | 747,751 | 24.92 |
| June 16, 1980 | 55,000 | 1,373,825 | 24.97 |
| September 29, 1981 | 24,000 | 599,400 | 24.97 |
| December 9, 1981 | <u>17,000</u> | <u>424,575</u> | 24.97 |
| Total | 176,000 | 4,267,601 | |

4. Funds to Finance Final Evaluation

The OPG budgeted US\$7,500 for the final evaluation. To finance a more comprehensive evaluation effort--including the field-level impact survey and a testing of a cooperative evaluation methodology prepared by Development Associates--ACDI has contributed an additional US\$10,500 from other sources.

LA MERCED RESOURCE CONTRIBUTIONS

1. Loan Fund Capitalization

La Merced not only complied with its capitalization commitments totaling \$b5.3 million but actually exceed them by \$b 1.6 million or 16 percent.

2. Administrative Costs of Small Farmer Credit Program

The OPG specifies a commitment by La Merced of administrative cost contributions totaling US\$306,209 over three years. Unfortunately, the consultants were unable to determine the Cooperative's compliance with this budget. We requested this information from La Merced's Accounting Depart-

ment two weeks prior to our departure on November 17th. On November 16th the Chief of the Accounting Department, Jorge Elías Taborga, informed us that administrative cost contributions for Prestamos Campesinos could not be calculated because (1) during 1979-80 departmentalized accounts had not yet been instituted; (2) departmentalized accounts for 1980-81 are only partial; and (3) expenditures by department have been kept since September 1981, but there was no time to total them for 1981-82 prior to our departure. The last excuse was a special disappointment, particularly in light of the considerable effort that had been invested by ACDI in operationalizing a departmentalized accounting system (see E, Fortifying Administrative Capacity). We must conclude that this system--if indeed operational--is generating data that are not being used for management decision-making on a monthly basis.

However, there is indirect evidence to suggest that La Merced did not have to subsidize the administrative costs of the Small Farmer Credit Program to the extent originally planned. The Resident Advisor reported that as of July 1981 the Program's operating costs began to be exceeded by its income, and that this surplus was now available to begin covering part of La Merced's administrative subsidy. It is a shame the data is not available to prove this assertion, for it would constitute a very important Program achievement.

3. Capitalization of Farm Supply Stores

Under the OPG, La Merced was to contribute US\$175,000 in salaries, equipment, and operating capital to each of three farm supply stores to be established in Mairana, Villa Busch, and Chané. Only a small fraction of this commitment was met. The only farm supply store to be established on a permanent basis was in Mairana. The Villa Busch store was begun in October 1981 with an initial capital of US\$25,000, but with negative results (robbery, low sales volume) that caused its discontinuation. The store in Chané was never attempted. The Mairana store proved to be quite successful, generating net income totalling almost US\$43,000 in three years, which averages about US\$1,200 per month. Even so, inventory value for the store was quite limited, far below the estimated \$175,000 investment originally planned. The operating performance of the Mairana store is presented below:

| <u>Period</u> | <u>Inventory Value</u> | | <u>Yearly Net Income</u> | |
|------------------|------------------------|----------------|--------------------------|----------------|
| | <u>PESOS</u> | <u>DOLLARS</u> | <u>PESOS</u> | <u>DOLLARS</u> |
| Year 1 (8/30/80) | 222,905 | 18,916 | 317,715 | 12,709 |
| Year 2 (8/30/81) | 254,308 | 10,172 | 418,002 | 16,702 |
| Year 3 (8/30/82) | <u>601,839</u> | <u>13,678</u> | <u>595,804</u> | <u>13,541</u> |
| | 1,079,052 | 42,766 | 1,331,421 | 42,952 |

4. Office for ACDI Resident Advisor

This commitment was met.

5. Vehicle for Small Farmer Credit Program

La Merced acquired a 4-wheel drive 1979 Ford jeep. It was stolen in June 1980, a loss paid by the insurance company. The Cooperative did not buy another vehicle for the Program, however. Instead, it provides transport from its own motor pool whenever Program employees request it. No transportation problems were observed during the OPC period.

6. Salaries and Motorcycles for Program Staff

La Merced complied successfully with this commitment. The names of current employees have been presented previously. There are also five motorcycles for the use of Program field staff.

E. FORTIFYING ADMINISTRATIVE CAPACITY; COMPLIANCE WITH PERFORMANCE TARGETS

As described in Section C, the OPG's second objective was to fortify the administrative capacity of La Merced, preparing it for the specialized and complex decision-making requirements of large cooperative institutions. Achievement of this objective was to be measured by four indicators. Six basic activities were to be undertaken. The resource commitment listed in the OPG was mainly external--consisting of technical assistance by ACDI short-term consultants. Each of these components will be reviewed in turn.

INDICATORS OF SUCCESSFUL ACHIEVEMENT OF THE PROJECT OBJECTIVE

1. Creation of a Departmentalized Organization with Decentralized Delegation of Authority

In 1979 the Cooperative was organically structured in six separate levels, with the lines of authority running from the General Assembly to the Vigilance Council, from there to the Administrative Council, from there to the Executive Director. Below the Executive Director were located two Supervisors--placed as advisory positions outside the direct chain of authority--which ran from the Executive Director to the Department of Savings and Loans and 18 separate sections (see Annex E, Exhibit 1). In this structure all operational subdivisions were located at the same level as advisory and administrative support components.

From the outset of their contacts with La Merced, ACDI consultants who came to Santa Cruz have urged the departmentalization of the Cooperative into eight units, as follows: (1) Savings and Loan, (2) Farmer Credit, (3) Consumer--with sub-sections of (a) Almacén, (b) Supermarket, and (c) Agencies--(4) Pharmacy, (5) Housing, (6) Social Services, (7) Education, and (8) Administration. In addition, they urged the creation of a Special Assistant for the Executive Director as well as an Executive Management Committee, both intended to alleviate the Director's excessive decision-making burdens. (See Annex E, Exhibit 2.)

During our evaluation we were shown La Merced's "Organigrama Funcional" for 1982 (Annex E, Exhibit 3). This structure incorporates the recommendations of an Executive Management Committee, Special Assistant (called the Principal Supervisor), and a decentralization based on ten operational departments. However, this revised organizational structure is not yet completely integrated into La Merced's daily operations. For one thing, the print-outs of the Cooperative's computerized accounting system --installed and programmed over a period of 18 months (1979-1981)--does not yet reflect the 1982 Organigrama Funcional. For another, the Cooperative's Bi-laws have not yet been amended to permit the Executive Committee.

In the opinion of the consultants, the 1982 Organigrama Funcional could be further improved with the following suggestions. First, to avoid the existing incompatibility with Article 21 of the Bi-Laws, the Executive Committee can be designated as an "advisory committee" (comité de asesoramiento) composed of the Cooperative's Vice President, Treasurer, and Secretary. Such a committee can be authorized by the Administrative Council without necessity of a bi-law revision. Second, it would be appropriate to make a coherent distinction between the Cooperative's operational departments and its support departments. We therefore suggest the organizational structure presented in Annex E, Exhibit 4. This proposal establishes an Administrative Department responsible for nine sections: (1) Accounting, (2) Computer, (3) Budget, (4) Fixed Assets, (5) Caja, (6) Agencias, (7) Personnel, (8) Cafeteria, and (9) Collections. The remaining departments would all be operating units, each one able to generate profits or loss.

It is evident that the organizational structure of the Cooperative is still evolving, but significant progress has been made. The consultants believe that decision-making authority has been effectively decentralized in the case of Farmer Credit. We were unable to appraise the extent of progress made in delegating authority to the heads of other departments. Overall, we would say that La Merced has demonstrated modest but solid success in departmentalizing and decentralizing its operations.

2. Creation of a Budgeting and Accounting System by Departments

La Merced had demonstrated its concern for improved accounting procedures even before the OPG was approved. In 1978, with its own funds, the Cooperative contracted Price Waterhouse and Company to prepare a catalogue of coded accounts for purposes of introducing a system of computerized accounting. In April 1979, La Merced signed a contract with Ing. Carlos Glogau, the local representative of Wang Computers, to rent a complete computer system to the Cooperative, provide all necessary programming design assistance, and to teach COBOL to La Merced personnel. After 18 months of effort (1979-1981), the departmentalized accounting system became operational. Print-outs now cover (1) fixed assets, (2) payroll, (3) general financial statements, (4) Consumer Dept., (5) Pharmacy, (6)

Housing, (7) Savings and Loans, and (8) Small Farmer Credit. The programming of Small Farmer Credit data was completed by La Merced employees. With training by ACDI short-term consultant Héctor Acevedo--whose assistance was cut short by political problems in Bolivia and the war in the Galapagos Islands--some progress was made by La Merced in departmental budgeting and financial analysis. Under the supervision of Sr. Victor Santander of Price Waterhouse, personnel of La Merced prepared their first departmentalized annual budget for the year 1982. What is perhaps most impressive about their effort is that it was accomplished by staff without formal training in accounting or economics; theirs has been the "university of life"--the day-to-day learning on the job.

It can be concluded that the budgeting and accounting system by departments is now a reality. The indicator of performance success, as specified in the OPG, has been broadly achieved. What is still lagging somewhat is the timely use of data for budget analysis and decision-making on a monthly basis.

3. Preparation of Administration, Accounting, and Personnel Manuals

These documents were completed and in use. We found the Manual of Organization and Functions, prepared by Lic. Roger Ortiz, to be complete and of highest quality. It conforms with the Functional Organigrama of 1982. However, of five chiefs of departments interviewed, three did not have their own copy of this manual. We believe it would justify the cost to have the manual xeroxed so that each department has its own copy.

4. Long-Range Planning by Board of Directors

The evaluation encountered no evidence that the Board of Directors of the Cooperative is now sufficiently trained, or has engaged in any activity, to conduct long-range planning. Therefore, we consider this performance indicator to show non-compliance by the project.

ACTIVITIES TO ACHIEVE PROJECT OBJECTIVE

1. Reach an Accord on Administrative and Organizational Procedures.

Compliance with this performance indicator was described in the previous section. An "Organigrama Funcional" for 1982 was established which reflects recommendations made by ACDI consultants. A Manual of Organization and Functions reflects these new changes in the structure of La Merced.

2. Establish a Plan of Accounts and Accounting Manual

This performance indicator was also described previously. The Plan of Accounts and Manual was completed by Price Waterhouse and Company under a contract signed before the OPG began. ACDI inputs in this area were minimal.

3. Establish a Procedures Manual for Internal Audit

La Merced's Internal Auditor, Alfredo Barba Velásquez, did not show the consultants any procedures manual for internal audit. Mr. Barba's functions have been established in a letter from the Administrative Council, dated January 31, 1979. He says he has had conversations with ACDI consultant Héctor Acevedo, but he did not participate in any training activity. Mr. Barba's job currently entails the review of all sales proceeds from the departments of Consumer, Pharmacy, and the Mairana store, preparing a daily report to Accounting and to the Executive Director. He also reviews checkbook reconciliations.

In some, we are unaware of any manual which formalizes internal audit procedures. This activity of the OPG was evidently overlooked.

4. Establish a Personnel Manual

This manual was prepared, and corresponds to the 1982 organizational structure. Staff positions and functions are adequately specified. However, in our opinion the real chain of command and decentralization of decision-making authority within La Merced is still evolving.

5. Establish Departmental Budgets

This was finally achieved by La Merced in 1982. The information system allowing departmentalized budget formulation and income-expenditure reports on a monthly basis currently exists. What is not yet clear is the extent to which this information is used opportunely for routine decision-making and budget control actions.

6. Conduct a Training Seminar for Cooperative Staff and Directors Covering Delegation of Authority, Budgeting Theory, etc.

ACDI short-term consultants provided considerable training to La Merced personnel on both a formal and informal basis. Dr. Héctor Acevedo made two trips to La Merced. The first was for a month (January-February, 1981), during which time Dr. Acevedo taught a course on delegation of authority. His second visit (July-August 1981) was cut short by political disturbances. He had planned to give a comprehensive course on budgeting, financial analysis, and cash flow. Although this training was interrupted, Dr. Acevedo did manage to organize a "Budget Committee". He also left detailed instructions concerning "Organization and Installation of a Budget System", "Preparation of Departmental and Consolidated Budgets", "Budget Controls", and "Questions Regarding Basic Factors to Be Considered in Preparing a Budget".

Dr. Acevedo was to have returned in October 1981 to teach a course on cash flow for La Merced senior staff and directors. When this was prevented by continuing political instability in Bolivia, Acevedo was replaced by Sr. Victor Santander of Price Waterhouse, who visited the project in January, March, and May 1982. The first of these visits resulted in the establishment of a work plan for each department, specification of dates for controls, streamlining of information flow, and up-dating of records through December 31 to conduct an evaluation of actual with programmed performance. The March visit resulted in the budget control for 1981, training in budget formulation, and the creation of a 1982-83 budget. The May visit resulted in training for monthly budget controls and determination of short-term cash budgets. In June, Price Waterhouse completed information flow procedures for Almacén, Accounting, and the Computer Center. They also completed a set of procedures for short-term cash budgeting.

Several employees of La Merced mentioned that they had also received valuable training one on-one with ACIDI consultants Percy Avran, who visited the Cooperative for 30 days in June-July 1980; and from Juan Alvarez, who conducted a two-week mid-term evaluation in November 1980. Avran and Alvarez's visits produced 11 and 27 recommendations respectively, mostly applicable to the Small Farmer Credit Program rather than La Merced Administrative Fortification. Throughout the duration of the OPG, Robert Flick of ACIDI/Washington made six supervisory visits to the project totalling 50 days. Flick's participation was generally regarded as very positive by La Merced personnel.

We believe the evidence indicates that administrative training activities during the OPG were fairly active--in formal seminars, informal sessions, and one-on-one contacts.

RESOURCE CONTRIBUTIONS

1. Visits by Short-Term Consultants

During the OPG period there were 108 days of short-term consultants, which were distributed as follows:

| <u>Dates</u> | <u>Person</u> | <u>Days</u> |
|-------------------------|------------------|-------------|
| June 3--July 3, 1980 | Percy Avran | 30 |
| November 17-19, 1980 | Juan Alvarez | 13 |
| Jan.26-Feb.21, 1981 | Héctor Acevedo | 27 |
| July 26-August 8, 1981 | Héctor Acevedo | 14 |
| January 1982 | Victor Santander | 6 |
| March 1982 | Victor Santander | 5 |
| May 1982 | Victor Santander | 3 |
| November 1982 (pending) | Victor Santander | <u>10</u> |
| | Total | 108 |

2. Visits by ACDI/Washington Staff

During the OPG period there were 58 days of ACDI/Washington staff supervision, distributed as follows:

| <u>Approximate Date</u> | <u>Days</u> | |
|-------------------------|-------------|----|
| January 1980 | 8 | |
| September 1980 | 7 | |
| February 1981 | 21 | |
| July 1981 | 7 | |
| February 1982 | 10 | |
| November 1982 | <u>5</u> | |
| | Total | 58 |

The consultants are of the opinion that ACDI provided La Merced with short-term technical assistance using qualified professionals, and that these individuals contributed significantly to the institutional fortification of La Merced.

CHAPTER III, IMPACT EVALUATION

In this chapter we present the results of the farm-level evaluation of project impact. The data was gathered by means of a fairly simple questionnaire which was applied to 251 rural households from 58 different communities drawn from the four service coverage areas attended by La Merced within the Department of Santa Cruz. This sample represents 52 percent of the beneficiaries of the Small Farmer Credit Program.

The questionnaire instrument consisted of two parts. The first part, known as Form A, was designed to detect the characteristics and opinions of rural households who had received production credit, farm supplies, technical assistance, training, or other services from the Small Farmer Credit Program. The second part, known as Form B, sought to detect positive changes in family income and well-being during the last twelve months. It covers changes in income, savings, employment, purchases of productive assets, credit access, housing improvements, purchases of furniture or appliances, domestic services, health status, nutrition, education, clothing, recreation, and family involvement in the community. Forms A and B are presented in Annex F.

The methodology used to conduct the impact evaluation was rather unique. This was so not because of the survey questionnaire employed but because the data collectors were themselves small farmers: campesinos interviewing other campesinos.

Furthermore, the design of the questionnaire, selection of the sample, field supervision of interviews, data tabulation, analysis, and reporting of the findings--all was conducted in Bolivia, by Bolivians, without the participation of a single U.S. professional. The entire survey process from beginning to end was completed in less than 60 days at a total cost of under US\$5,000. We are extremely proud of this achievement. This is the second time in 1982 that this same type of locally-controlled methodology has been attempted and proven successful in Bolivia. We believe it demonstrates a highly promising approach to low-cost evaluation of rural development projects, and one which enhances maximum local participation in the evaluation process.

A. PROGRAM SERVICES

1. Beneficiaries Interviewed

A total of 251 rural households were interviewed. Of the respondents, 203 were men and 48 were women. The respondents represented 55 rural communities, which were distributed over the four coverage zones of the Program as follows: (1) Mairana-Pampa Grande--20 communities, 88 families; (2) Chané-Piraf--12 communities, 66 families; (3) Central Zone (4A and 4B)--9 communities, 45 families; and (4) Villa Busch-San Juan de Yapacani--14 communities, 52 households.

Of the families interviewed, 129 (51 percent) had been members of La Merced for at least five years, while 51 (20 percent) had been members for less than two years. Such data reflect considerable membership continuity as well as continuing emphasis to attracting new members. The areas showing greatest incidence of old members were Mairana-Pampa Grande (65 percent) and Chané-Piraf (58 percent).

Of the 251 families interviewed, 143 (57 percent) had only one person enrolled as a member of La Merced. In the Central Zone, however, as many as 71 percent of all families had two or more members enrolled in the Cooperative.

2. Membership Characteristics

Of total respondents, 185 (74 percent) stated their principal occupation was farming and only 7 (3 percent) were ranchers. Of the 59 who claimed other occupations--principally school teaching, commerce, and drivers or mechanics--two-thirds claimed agriculture or ranching as a secondary occupation. Of the 124 respondents who claimed secondary occupations other than farming or ranching, 34 (27 percent) were merchants, 19 (15 percent) were drivers, and 18 (14 percent) were carpenter. "Other" occupations included teachers, tailors, secretaries, plumbers, broom-makers, health promoters, musicians, and radio repairmen. This occupational diversity demonstrates that there exists a wide variety of income and employment opportunities facing rural residents in addition to farming. Hence, a credit program "for farmers only" is likely to be of less value to rural households in general than one which supports rural productive activities in general. Happily, La Merced recognizes and applies this principle of flexibility.

With regard to land holdings, 218 families (87 percent) own their own land. Of these, 43 (20 percent) have less than five hectares (average 2.7 has), 33 (15 percent) between five and ten hectares (average 8.3 has.), another 33 between 11-20 hectares (average 17.3 has.), and 109 (50 percent) with more than 20 hectares. However, this overall profile of land holdings varies considerably from one zone to another. For example, in the Chané-Piraf and Villa Busch zones, only 4 and 5 percent respectively of all respondents own less than five hectares; in contrast, 41 percent of all respondents in Mairana-Pampa Grande have less than 5 hectares and another 19 percent have no land at all.

When only area cultivated is considered, farm sizes plummet throughout the sample. In this case, 60 percent of all respondents cultivate less than 5 hectares (average 2.9 has.), another 29 percent cultivate between 5 and 10 hectares, and only 24 growers out of 218 (11 percent) cultivate more than ten hectares. When asked how they would describe themselves, 168 out of 251 respondents (67 percent) said they were "small" farmers while another 62 (25 percent) called themselves "middle-sized" producers. Only one respondent considered himself a "large" farmer. These data suggest that the Small Farmer Credit Program is indeed targeted fairly effectively on small producers.

With regard to livestock holdings, although only 7 out of 251 respondents consider themselves to be primarily ranchers, livestock raising remains a very important farm enterprise. Some 50 percent of all respondents raise cattle (average is 14 animals), 53 percent raise pigs (average is 9 animals), and 68 percent raise chickens (average is 31 fowl). A minority of respondents raise horses and burros (17 percent), ducks (9 percent), and sheep (8 percent).

3. Production Credit

Of the 251 families interviewed, 232 (92 percent) said they had received a production loan from La Merced. Of these, 208 (90 percent) said they had received the loan within the last year, 1981-1982. For all respondents receiving loans, the average loan value was \$b 25,272 (US\$574 at the 44:1 exchange rate). When asked how the loan proceeds were used, the most common reply was "agricultural activities" (62 percent of all uses mentioned), followed by "livestock activities" (12 percent). The third most common use was for "home improvements" (8 percent), followed by "commercial activities" and "food purchases" (both 5 percent), "investments in machinery and tools" (4 percent), "purchase of furniture or appliances" (2 percent), "debt payments" (1 percent) and "medical expenses" (1 percent). The above distribution of credit uses reflects very precisely the policy of the Small Farmer Credit Program to lend approximately 70 percent of its portfolio for agricultural and livestock uses, while devoting 30 percent to other rural uses.

4. Benefits Received from Loan Use

Eighteen separate benefits were mentioned by respondents with regard to loans received from the Small Farmer Credit Program. By far the most commonly-mentioned benefit (39 percent frequency) was that the loans allowed farmers to conduct their agricultural activities at the most opportune time, thereby resulting in increased yields. Another 18 percent considered timely disbursement of loans as the principal benefit. The third most-important benefit was that it allowed borrowers to improve their homes (7 percent). Further benefits included the purchase of food (5 percent), low interest rates relative to local loan sharks (5 percent), livestock improvements (5 percent), purchase of land (4 percent), the initiation or expansion of commercial activities (4 percent), poultry improvements (3 percent), equipment or tool purchases (1.5 percent), convenient repayment installments (1.5 percent), and loan disbursements made in the community (1 percent). The remaining benefits included lack of red tape, the ability to purchase medicine quickly, improved education of children, repayment of old debts, better prices due to on-farm storage, and an improved standard of living.

5. Problems Regarding Loan Use

Out of 232 respondents who received loans, a surprising 151 (65 percent) said they had experienced no problem whatsoever in obtaining credit from La Merced. When pressed for possible deficiencies, 64 respondents mentioned a variety of nine different problems. Of these, 39 were concerned with the Program's requirement of guarantees and co-signers (garantes). Eight mentioned poor harvests which resulted in repayment problems. Others included loan disbursement delay due to lack of sufficient loan funds, illness that delayed loan repayment, loan denial for reasons of insufficient savings, lack of land documentation, and incomplete loan request paperwork.

When asked about problems relating to delayed loan repayment, 215 respondents had a reply. Of these, 93 (43 percent) said they always pay on time while another 53 (25 percent) said they pay before the loan is due. Of the remaining 68 respondents who had had some kind of repayment problem, 50 blamed poor harvests, 10 blamed sickness, 6 blamed inadequate knowledge of loan requirements, and two said they did not wish to sell their harvest (to repay the loan) because market prices had fallen too low.

5. Recommendations for Improving Credit Services

When asked to make recommendations for improving loan services, 28 of the respondents (11 percent) said that the Cooperative's credit system was good the way it is and should not be changed. There were an additional 323 responses covering 36 separate recommendations. The most important (mentioned 60 times) was that loan amounts were inadequate and needed to be increased. A related suggestion (mentioned 37 times) was that loans be authorized on a ratio of 1:4 or 1:5 savings to credit. The next most-important recommendation (mentioned 35 times) was for the Cooperative to extend loan repayment dates when harvests are bad. Twenty-two respondents suggested that priority credit service be given to the oldest or most trustworthy members. A lowering of interest rates was suggested by 18 respondents. A 24-month repayment period for larger loans was recommended by 15 respondents. An equal number of farmers recommended more intensive training and technical assistance for loan recipients. Twelve farmers requested that only a single garante be required, while 11 respondents requested that the Cooperative accept land title documentation as the loan guarantee. The remaining recommendations were supported by fewer than ten respondents.

6. Farm Supply Service

Out of 251 households interviewed, only 30 (12 percent) stated they had purchased farm supplies from La Merced. Of these, the majority purchased these supplies in 1981 rather than 1982. Among 66 responses to the kinds of supplies purchased, 24 bought fungicides, 18 bought insecticides, 12 bought fertilizers, and six each bought herbicides and seed. The principal benefits resulting from input use were the ability to fumigate crops in time (mentioned 18 times), improvement in harvested yields (mentioned 12 times), and lower supply prices (mentioned 8 times). Other benefits included the acquisition of good tomato seed (4 cases), learning to use agrochemicals more effectively (3 cases), obtention of unspecified hybrid seed (2 cases), and the delivery of inputs in the community (case of Piraf, mentioned twice). Seen from the viewpoint of the Small Farmer Credit Program as a whole, the data reveals a major shortfall in service coverage. However, in those instances where farm supplies were made available by the Cooperative, the results of this service were seen quite positively by its users.

There were 34 responses to the question of whether the respondent experienced any problem in the purchase and use of inputs. Of these, 28 said they had no problem whatsoever. Of the remaining six who experienced problems, two said the herbicide they bought had no effect on weeds, two claimed they lacked insufficient instruction in input use, one farmer claimed the stam herbicide made his cows sick, and one claimed he bought bad seed that never germinated.

Eleven different recommendations (97 responses) were made by rural households to improve the farm supplies service. The most important (by residents in Mairana) was to expand the quantity and variety of inputs offered for sale (mentioned 29 times). Eighteen respondents requested that farm supply stores be opened in their zone. Fourteen farmers suggested a lowering in input prices and another 13 requested more technical guidance in input use by the Program agronomist. Additional recommendations included input sales on credit, more consistent input supply to the Mairana store, sales of vaccines for livestock, acquisition of more improved seed, exclusive input sales to Cooperative members, and continuation of the input delivery service (Piraf).

7. Farmer Training and Technical Assistance

Out of 251 families interviewed, only 59 said they received any training or technical assistance from La Merced. This coverage rate of one farmer-member out of every four is clearly inadequate from a total program perspective, and represents a serious shortfall from the programmed training targets specified in the project plan.

But where training and technical assistance was available, it was well-received by farmers and covered a fair variety of subjects. Of the 59 respondents who received training, 47 (80 percent) said it was technical assistance while 12 (20 percent) learned about cooperativism. The most commonly mentioned topics of training were crop cultivation practices (27 cases), cattle raising and disease control (25 cases), veterinary training in general (21 cases), instruction in the use of insecticides, herbicides, and fungicides (18 cases), soil preparation and management (15 cases), animal traction and new tools (13 cases), cooperativism and credit operation (12 cases), and diverse pamphlets about agriculture and livestock raising (23 cases).

Among the benefits of training and technical assistance, 31 respondents said they learned how to improve their crops, 25 learned how to use new inputs, 20 learned how to detect and cure diseases in their cattle, 12 learned how their cooperative functions, and 11 learned how to use new farming equipment. Other benefits included improved pineapple production (6 cases), faster loan paperwork preparation (3 cases), improved corn yields (2 cases), and improved shelling methods for peanuts. Of the 59 respondents who said they received training, 51 said they had no problem in obtaining it; the other eight had no reply to the question.

The most important recommendation for improved technical assistance was additional training in crop techniques (mentioned 23 times), closely followed by a request for continued classes in livestock raising (21 cases). Fourteen farmers requested more training in cooperativism, and 13 recommended more frequent visits by the Program agronomist. Nine

respondents requested more training in the use of inputs to treat crop diseases, and an equal number suggested more intense general promotion by the Cooperative. Other recommendations included more training in chicken-raising (7 cases), more sales of farm inputs (7 cases), the assignment of a permanent agronomist to Mairana and the Central Zone (4), continued delivery of pamphlets (3), and new demonstrations of animal traction (3).

8. Other Services from the Cooperative

When asked if they had received "other" services from the Cooperative, 94 of 251 respondents (37 percent) answered affirmatively. Use of the Co-op Pharmacy was the most important of these services (mentioned 75 times), followed closely by the Co-op Consumer Store (mentioned 72 times). Twenty-three respondents mentioned receiving health services from La Merced, three received legal assistance, and one received educational help. The most important benefit associated with such services was that of lower prices (mentioned 79 times). Considerate treatment of campesino shoppers at the Mairana store was mentioned 17 times. Other benefits included inexpensive doctor consultations (15 cases), health improvement (7 cases), availability of products not encountered in other stores (5 cases),

Sixty eight of the 94 respondents who received other services said they had experienced no problem. Of the twenty who mentioned problems, 12 complained of highly fluctuating prices in the farmacy and consumer store, three complained of excessively high prices, and four complained they lived too far away to use these services conveniently.

The most commonly-mentioned recommendation for service improvement was to expand the number of food products sold at the Mairana store (56 cases). This was followed by a suggestion that pharmacy prices be lowered (22 cases). Other recommendations included the provision of a physician attending Mairana and other rural areas (13 cases), stabilizing prices in Mairana (13), the opening of a consumer store and pharmacy in Hardeman, Villa Busch, Puesto Fernandez, and Pampa Grande (12 cases), more courses about cooperativism (9), more frequent technical assistance by the agronomist (5), and training in crop rotation (5 cases).

B. CHANGES IN FAMILY INCOME AND WELL-BEING

1. Annual Income of the Rural Household

Of the 251 rural families interviewed, 227 of them (90 percent) earn income from agriculture, with the average earnings from this source alone calculated at \$b 125,219. One household in four earns income from livestock, the yearly average amounting to \$b 107,235. About 105 families (42 percent) earn income from "business" (negocios), with average earnings of \$b 67,841. Finally, there are 67 respondent families (27 percent) who earn income from professional occupations, like school teaching, with the average earnings reaching \$b 126,295. Given these reference points, it is probably safe to estimate the total peso income of the average project beneficiary at between \$b 150,000 and \$b 175,000. These figures cover the 12 months prior to the survey.

While the peso estimate may be fairly accurate, it is almost fruitless to place a reliable US dollar equivalent to the above amounts. This is because during 1982, Bolivian currency was officially devaluated by 76 percent (from \$b25 to \$b44 per dollar), but unofficially the exchange rate has soared well beyond \$b100 per dollar, and possibly even twice that much.

It is also important to emphasize that the composition of total rural household income is also quite variable from one program coverage zone to another. For example, in the Chané-Piraf Zone, the agricultural earnings of the respondents interviewed averaged \$b 230,487, while in the Central Zone income from agriculture only averaged \$b 68,788.

2. Increase in Income

The absence of an income baseline prior to this study makes the measurement of changes in rural household income extremely difficult and quite subjective. The survey therefore attempted to ascertain whether rural respondents believed their incomes had increased over the last twelve months. Of the 227 who said they earned agricultural income, 137 (60 percent) said their earnings from this source increased significantly, and almost exactly half estimated the increase to have exceeded \$b 50,000. Regarding livestock income, of 62 families listing earnings from this source, 41 (66 percent) declared significant increases in income, and almost 40 percent estimated the increases to exceed \$b

50,000. Similarly, of the 105 households declaring "business" income, 63 of them (60 percent) claimed significant income increases, while 48 of 67 households listing professional income (72 percent) also experienced major growth of income. In general, estimated income increases as a percentage of total income from each source recorded growth of 55 percent in agriculture, 16 percent in livestock raising, 25 percent in business activities, and 19 percent in professional income.

Once again, given rampant currency devaluation and domestic inflation, the importance of these changes--in terms of real improvements in family purchasing power--can not be reliably calculated. Nor can the income increases mentioned above be narrowly attributed to the Small Farmer Credit Program as a direct result of production loans disbursed to project beneficiaries. However, given the fact of rapid price increases for traditional crops of the Santa Cruz region--particularly rice, tobacco, corn, and sugarcane--and given the strong testimonials from project beneficiaries that farm loans from La Merced allowed them to plant on time and increase yields, it can definitely be assumed that the Cooperative made it possible for many small farmers to capture significant income benefits during 1982--from agriculture as well as non-farm enterprises.

3. Savings

Of the 251 rural families surveyed, 243 (97 percent) listed savings in La Merced. The average value of savings for these respondents came to \$b 10,697. Of these same respondents, 169 (67 percent) also claimed to have other cash savings, with an average value of \$b 37,596. These combined estimated savings within and outside the Cooperative total \$b 48,293, which represents between one-quarter and one-third of the average household income suggested previously.

The composition of savings by production zone varies greatly, as do the levels of total savings. For example, the average savings investment in La Merced by residents of Villa Busch came to \$b16,221, which is about twice as much as the level of savings contributed by the average member from Mairana or the Central Zone. Furthermore, 34 percent of total available savings of Villa Busch residents are invested in La Merced, as compared to 18-20 percent for the other three coverage zones. This superior performance by Villa Busch in purchasing Cooperative share capital is also reflected in its pattern of borrowing, for it is the zone with the largest average value of loans. This result also coincides with the fact that Villa Busch is the zone with the largest percentage of new members in La Merced. The overall picture is one of great trust of Villa Busch residents in their Cooperative. And as one ACDI advisor commented in a trip report, Villa Busch is the busiest field office of the Small Farmer Credit Program.

4. Employment

Of the 251 rural households interviewed, 114 (45 percent) stated that their family had experienced an increase in remunerated employment. One hundred of these respondents (88 percent) experienced this increase in the area of agricultural activity, two (2 percent) in livestock raising, and 13 (11 percent) in "other" (off-farm) activities. In nine cases out of ten it was the male head-of-household who participated in the additional employment. Increased work for wives and children came mainly in off-farm activities. The incidence of new employment opportunities was highest in the Central Zone (67 percent of all respondents had more work) and was lowest in the Zone of Villa Busch (38 percent).

The generation of employment benefits, then, is quite clear. What is less evident is the extent to which production loans from La Merced contributed directly or indirectly to an expansion of employment. Based on the opinions of borrowers (A-4, above), 38 percent credited the principle loan benefit as an increase in yields resulting from the timely conduct of loan activities. Such increased productivity would automatically cause an increased demand for farm labor, particularly at the harvest. We believe it is therefore probable that the Small Farmer Credit Program played a major role in generating the increased employment benefit.

5. Investments in Productive Capital

No less than 212 of all rural families interviewed (84 percent) indicated they had made some purchase of productive assets during the last twelve months. The average value of these investments came to \$b 29,336, which represents about 78 percent of the total estimated savings of beneficiary households (\$b 37,596). This result suggests that among the rural members of La Merced, what they do not invest in Cooperative share capital is being used for the purchase of productive assets. Of the 212 households investing in productive assets, the most important category of assets was tools (30 percent), then animals (23 percent), then land (20 percent), machinery (16 percent), and "other" (11 percent). In terms of the largest percentage of all respondents making investments in productive assets, Mairana was in first place in the categories of machinery, animals, and land/houses. Villa Busch was highest in the purchase of farming tools.

6. Other Sources of Credit

Other than La Merced, the sources of financing available to project beneficiaries are quite limited. The single largest source is that of private loans received from relatives, friends, or local money-lenders. Sixty five of all respondents (26 percent) utilized this source. Fifteen families (6 percent) received credit from another cooperative institution, 14 (6 percent) from the Bolivian Agricultural Bank, and 15 (6 percent) from other sources. These data demonstrate that three out of every four rural members of La Merced are exclusively dependent on the Cooperative as their only source of production credit. This, combined with the fact that La Merced is generally viewed as a fast and efficient credit supplier, makes the Cooperative the preferred small farmer lending institution in the Santa Cruz region.

7. Home Improvements

Of all respondents, 99 households (39 percent) said they engaged in home construction or improvements during the last twelve months. A surprising 68 families (over two-thirds) engaged in the construction of a new home, while 27 families improved an existing home and four families only bought construction materials. The average value of investments in new home construction came to \$b 58,280. The value of the average improvement to an existing home was \$b 16,642. The incidence of home improvements was highest in the Central Zone (53 percent of all respondents) and lowest in the Zone of Villa Busch (27 percent). The home improvements indicator is usually an excellent indirect measure of the existence of increased family income.

8. Furniture and Appliances

Of all families interviewed, 135 of them (54 percent) said they had purchased new furniture or a domestic appliance during the last 12 months. Of these, there were 64 furniture investments with an average value of \$b 8,286, and 71 appliance purchased with an average value of \$b 14,607. Once again, this indicator indirectly confirms the generation of increased income among rural households participating in the Small Farmer Credit Program.

9. Domestic Services

Among all respondents, 135 families (54 percent) have installations of potable water, 119 (47 percent) enjoy electricity, and 97 (39 percent) have latrines. Water installations are highest in Mairana and the Central Zone (77 percent and 66 percent respectively), and lowest in Villa Busch and Chané-Piraf (33 and 30 percent respectively). A

similar pattern exists with regard to electricity, while the pattern of latrine use is fairly uniform in all coverage zones. The impact survey failed to establish whether or not existing domestic services had been installed during the last year or over the three-year period of the OPG. Nonetheless, this indicator shows that considerable gains in the provision of domestic services have occurred among project participants, Relative to the scarcity of potable water and electricity prevailing in most rural areas of the Third World, the Santa Cruz region appears to be a striking exception. Both local community action and semi-public service promotion agencies appear to be responsible for this achievement.

10. Food Consumption

Among all respondents, 79 families (31 percent) said that their level of food consumption had improved during the last year. Of these households, 71 (90 percent) cited increased meat consumption, 62 (78 percent) mentioned increased consumption of vegetables, and 50 (63 percent) were drinking more milk. Other items that were listed as more abundant in many family diets were fruit (30 cases), eggs (15 cases) and fish (9 cases). The highest incidence of improved food consumption came in Mairana and Villa Busch (both 42 percent of all respondents), while the area of least perceived nutritional benefit was the Central Zone (11 percent).

11. Health

Of all households interviewed, 72 (29 percent) replied that general family health had improved during the last year. The area of highest perceived improvement in health was in Villa Busch (55 percent), and the area of least improvement was in the Central Zone (15 percent). Among the reasons given for health improvements, the most-common was improved nutrition (24 cases), followed by improved medical attention (15 cases), moving from the country into town (10 cases), lack of epidemics during the last year (8 cases), travel to Cochabamba and Sucre for operations (7 cases), better family hygiene (6 cases), improved family health-care knowledge (5 cases), and improved income with which to purchase medicines (5) cases.

In their order of importance, the principal illnesses suffered by respondents during the last year were fevers (23 cases), pneumonia (21 cases), liver ailments (19 cases), diarrheas (18 cases), rheumatism (14 cases), stomachaches (14 cases), heart problems (13 cases), tuberculosis (12 cases), and anemia (11 cases).

Among all respondents, 166 families (66 percent) claimed to have received professional medical attention during the last year. Of these, 141 (85 percent) were attended by a private physician, eight (5 percent) by a doctor provided by La Merced, and 17 (7 percent) from other health practitioners.

12. Education and Training

Of all rural families interviewed, 177 (71 percent) had children who continued in school during the last year. When the number of children studying was measured, 46 families (26 percent) had kept one child in school, 49 (28 percent) had kept two children, 40 (23 percent) had kept three children, and 42 (24 percent) had kept more than three children in school. These data demonstrate a very high priority placed by rural households on keeping their children in school as long as possible, a strategy obviously calculated to expand the family's future income and employment opportunities. This observation is confirmed by the fact that the incidence of families supporting the continued education of their children is rather uniform throughout all four coverage areas of the project (ranging from 68-75 percent), despite the fact that some zones (Villa Busch, Chané-Piraf) are less conveniently located with regard to secondary school facilities than others.

With regard to adult education, only 69 respondents (27 percent) said they had received some kind of training during the last year. Of these, 40 had received training from the Cooperative, 23 from other sources, and 6 from both La Merced and others. Overall, the distribution of adult education opportunities was very uneven from one zone to another. No less than 73 percent of all respondents in the Central Zone had received training. This contrasts with only 23 percent in Chané-Piraf, 16 percent in Mairana, and only 13 percent in Villa Busch.

13. Clothing

In 241 of the 251 households interviewed (96 percent), purchases of new clothing and or shoes were made during the last 12 months. The average combined expenditure was \$b 25,520, of which \$b 18,021 (71 percent) was for clothing and \$b 7,455 (29 percent) was for shoes.

14. Recreation

Seventy-four households out of all surveyed (29 percent) said that their families had increased their participation in recreational activities during the last year. The most common recreational activity was going to the movies (43 cases), followed by trips to town (36 cases), visiting one's community of birth on its saint's day (20 cases), school picnics (16 cases), attending soccer games (10 cases), and family fiestas (8 cases).

15. Community Leadership

Of all rural households interviewed, 96 of them (38 percent) contained a family member who serves as a community leader. All but 14 leaders were male heads-of-household. The leadership positions filled by these individuals, in order of importance, were local cooperative organizations (18 cases), parent-teacher associations (16), agrarian syndicates (15 cases), municipal posts such as mayor or corregidor (12 cases), public works committees (11 cases) and ad hoc committees for community development projects (14 cases). Other organizations included mothers clubs (4 cases), sports clubs (3 cases), and religious organizations (3 cases). The incidence of local leadership participation among respondents was highest in Villa Busch (52 percent) and lowest in Mairana (24 percent).

16. Voluntary Labor Contributions

Respondents were asked if they or any member of their family had contributed any voluntary labor to community development activities during the last year. Of 251 households interviewed, 232 (92 percent) said they had contributed some amount of voluntary labor. Among the contributors, 217 were male household heads, 18 were female household heads, and one was a child. Of the 232 contributors of voluntary labor, 103 (44 percent) gave more than five days of labor. Voluntary labor contributions were highest in Chané-Piraf, where 81 percent of interviewed households gave more than five days of work on community projects. Labor contributions were lowest in Mairana, where only 28 percent of households gave over five days of labor. Overall, voluntary labor was most frequently donated to road construction and maintenance (145 cases), followed by school construction or maintenance (127 cases), collecting cash contributions for community projects (32 cases), construction of health facilities (23 cases), construction of parks and streets (23 cases), bridge repairs (22 cases), other public works (19 cases), church work (17 cases), water supply systems (14 cases), and repairs to soccer fields (11 cases).

17. Attendance at Community Meetings

Of 251 respondents, 216 (86 percent) said they attended community meetings. Of these, 62 percent attended more than ten meetings during the last year. The principal types of meetings were discussions of community business (119 cases), school affairs (56 cases), cooperative business (51 cases), public utilities (44 cases), agrarian syndicate business (30 cases), potable water committee business (16 cases), meetings of the Farmers and Ranchers Association (12 cases), and meetings by mothers clubs (11 cases).

18. Contributions to Other Communities

Sixty-seven households (27 percent) provided assistance to neighboring communities or to projects benefiting several communities at the same time. The most common of such projects involved the construction or repair of roads and bridges (13 cases), followed by voluntary cash contributions (12 cases), school improvements (10 cases), and hospital work (9 cases).

CHAPTER IV. THE COOPERATIVE EVALUATION SYSTEM PROPOSED BY D. A. I.

As a secondary objective of this evaluation of the ACDI/La Merced OPG, the consultants were asked to review and, where appropriate, incorporate the cooperative evaluation system proposed by Development Associates, Inc.* We did not use this system as carefully as we might have; its utility for the present evaluation was more as an ex post check-out of findings against relevant study questions, not as a guide in developing our evaluation methodology.

The following chapter is divided into seven sections. The first six contain brief answers to 86 of 143 suggested study questions which we found to be relevant in the DAI system. These sections cover (A) Project Inputs--7 questions; (B) Intervention Strategy--19 questions; (C) Specific Content Areas--23 questions; (D) Institutional Purposes--11 questions; (E) Beneficiary Purposes--11 questions; and (F) Project Goals--15 questions. More detailed answers to these questions can be obtained in Chapter II--Institutional Evaluation, and Chapter III--Impact Evaluation.

We conclude the chapter with a section containing our general comments on the DAI cooperative evaluation system, reviewing what we believe are its principal strengths as well as its deficiencies.

* Development Associates, Inc., Evaluating Cooperative Development Projects: A System for Planners, Project Staff, and Evaluators, May 14, 1982, 78 pages.

A. STUDY QUESTIONS RELATING TO INPUTS

PRELIMINARY PLANNING

1. Was the project plan sufficiently complete to guide project implementation?

Very much so. The OPG document--and particularly its Logical Framework--clearly and in great detail specifies (1) personnel requirements; (2) budget--both external and local contributions; (3) project activities --with deadlines; and (4) evaluation schedule.

2. How detailed was the needs assessment?

Very detailed. In fact, there were two assessments: the first by Flick and Acevedo, "An Institutional and Financial Analysis of Cooperativa Multiactiva La Merced, Ltd. (July 31, 1979); the second by Resident Advisor Steve Wiles, determining status of Farmer Credit Program at the outset of the OPG. However, both documents emphasized institutional aspects of La Merced and therefore program or procedural needs to strengthen services to small farmers; neither presented a survey of small farm household needs. The rural demand and need for credit was taken as a given.

3. Were the reporting requirements clearly defined?

Yes. The Resident Advisor was required to prepare quarterly reports following a format established by ACDI covering (1) Long-Term Technical Assistance, (2) Short-Term Technical Assistance, (3) Small Farmer Training, (4) Staff Training, (5) Loan Movement, (6) Institutional Development, (7) Progress Toward Objectives, (8) Delays or Problems, with Recommended Solutions, (9) Activities Planned for Next Period, and (10) Financial Information on the Cooperative. The consultants verified five quarterly reports.

4. Were there any unanticipated events or conditions which had a major influence on project implementation or results?

Yes. Currency devaluation on a drastic scale wiped out most of the expansion in the value of the farmer loan portfolio. Political disturbances caused interruption of training visit by short-term advisor (Management Specialist).

RESOURCES

1. Was the number of project personnel adequate, and were they well-qualified?

Yes, particularly in the case of ACDI Resident Advisor and short-term consultants. All external staff commitments were met or exceeded. Internal to La Merced, the Small Farmer Credit Program failed to commit adequate human resources to the activity of farmer training. This was an error of implementation as well as planning.

2. Were project funds, equipment, and supplies provided at the level and schedule planned, and were they adequate?

In general, yes. The OPG was completed without amendment of the final sum budgeted. However, given the drastic currency devaluation of 1982, the AID donation of US\$176,000 to capitalize the rural lending fund proved to be inadequate.

3. Was the organizational and technical support adequate from the Mission, the host country government, host country cooperative organization?

In general, yes. The Resident Advisor, in his final report, acknowledges the support and faith of the USAID Mission. The field visit of USAID officer Howard Handler is also noted. USAID cooperated in subsequent amendments to OPG after one year of experience with project. No explicit support from Bolivian Government was planned for the project. La Merced provided most of the resources to which it was committed by the OPG, and most importantly it surpassed its financial commitment. It did not, however, contribute the planned level of capitalization for farm supply stores.

**B. STUDY QUESTIONS RELATING TO INTERVENTION STRATEGIES AND THEIR
DIRECT RESULTS**

TRAINING

1. How were the needs for training assessed?

In the case of farmer training, by types of crops actually grown on small farms; also, by staff perceptions of what rural households might need to know in order to properly use agricultural credit from La Merced. Training needs of La Merced staff (for administrative fortification) were determined via personal interviews and needs assessment by external consultants.

2. How was the training program organized?

Training of small farmers was carried out by a variety of mediums--radio programs, pamphlets, field days, and particularly meetings or "charlas" held in rural communities in the evenings. Scheduling was concentrated in only a few communities for the charlas due to manpower constraints. Training of Credit Program staff mainly conducted via one-on-one informal contacts between Resident Advisor and employees. Administrative training conducted by a combination of formal seminars and informal on-the-job training. In general, staff training was fairly intensive and quite effective; however, farmer training was inadequate in coverage and ineffective in results.

3. What were the qualifications of the trainers?

Resident Advisor and short-term ACDI consultants were highly qualified professionals. Acevedo and Alvarez, as well as Price Waterhouse consultants, were all native Spanish speakers. Wiles and Flick were fluent in Spanish. Wiles' experience in rural credit was outstanding.

4. Who received the training?

Farmer training--some 1,200 persons in three years. Credit Program--some seven employees. La Merced--aprox. ten senior staff, 20 junior staff. Note: Farmer-trainees included members and non-members, which served to dissipate training benefit.

5. To what extent did training reflect participant needs?

Although coverage was limited, with very little follow-up except in 3-4 communities, content was of high interest to farmers. Content areas reflect crops they grow, training methodology practical.

6. To what extent were information and/or skills learned?

Unknown. Follow-up evaluation of training effectiveness not conducted. However, impact evaluation shows strong interest on the part of small farmers for more intensive training and technical assistance.

7. Did trainees utilize what they learned?

In case of small farmers, unknown. In case of Farmer Credit Program, most of the training content eventually found its way into daily use and was formalized in regulations and procedures. To a lesser extent, same is true regarding La Merced employees trained in administrative fortification.

8. Were there multiplier effects from training?

Very few. The small farmer training program did not develop a training-by-trainees approach. Use of farmer-paratechnicians for this activity is recommended.

TECHNICAL ASSISTANCE

1. How were the needs for technical assistance assessed?

These were determined by a general institutional and financial analysis of La Merced. The Cooperative, previous to the project, had already initiated a process of administrative reform and reorganization. ACDI was formally invited by La Merced to diagnose deficiencies and recommend solutions.

2. How were the providers of technical assistance identified?

Unknown. We assume ACDI has a resumé file and directory of professionals qualified to be consultants.

3. How many persons received assistance?

Exact number unknown due to abundance of informal training contacts. We estimate 24 individuals, including senior staff and Cooperative directors.

4. Was technical assistance appropriate to recipient needs?

Very much so. Review of reports by short-term consultants reveals many useful and important recommendations. Some of these have been adopted by La Merced, many are still pending, and on others a compromise has been worked out.

5. What changes in operations have resulted from the assistance?

Small Farmer Credit Program has expanded coverage, loan portfolio, loan size, slashed delinquency, recovered over US\$16,000 in unrecoverable debts. In area of administrative consolidation, Cooperative has been departmentalized, decentralized budgeting and accounting now operational, modest progress made in decentralization of decision-making authority.

CAPITAL ASSISTANCE

1. What analyses were performed to identify needs for capital assistance?

Financial analysis conducted by Acevedo; also projections of rural credit demand based on existing portfolio, growth in savings and membership.

2. In what ways was capital assistance intended to improve co-operative operations and/or facilitate services to members?

Resources were intended to (1) increase number of members receiving loans, (2) increase loan size to meet member production needs, (3) allow users to increase income via productive investments.

3. How was allocation of funds made to meet various needs?

No multiple allocation by needs. Instead, there was a single need--capitalization of loan funds--which was increased by US\$176,000, to be disbursed over a three-year period.

4. Was the capital assistance provided when needed?

Yes.

5. Was the capital used for the intended purpose?

Yes.

6. In what ways did the capital effect the operations of the cooperative?

Loan portfolio, number of loans, and average loan value all increased. However, real gains were modest due to drastic devaluation of Bolivian currency and high local inflation, which served to neutralize benefits of resource expansion.

C. STUDY QUESTIONS FOR SPECIFIC CONTENT AREAS

ELECTRIFICATION/ENERGY

Not applicable to this evaluation.

HOUSING

Not applicable to this evaluation.

AGRICULTURAL MARKETING

The OPG project did not have a marketing component. However, in the opinion of the consultants, the project should have had a marketing component. We believe it is a disservice to provide small farmers with credit for yield-increasing inputs without also making arrangements for assisting farmers to market their higher levels of production. The long history of agricultural credit programs is generally a negative one. It has been likened to playing "Russian Roulette" with small farmers. This is precisely because marketing components are left out of most rural credit programs.

To its credit, La Merced did not tie credit use to the obligatory application of yield-increasing modern inputs. Modern input use was left optional to the borrower. Again, in the absence of marketing services, such flexibility is appropriate.

Nonetheless, for the future we believe that if La Merced truly seeks to provide small farmers with services that are vital to their income and well-being, then the Cooperative must study the possibility of creating a marketing program. This could offer many potential benefits: (1) a new source of income for La Merced; (2) an additional form of rural loan recovery; (3) establishing a functional linkage between rural co-op members who grow food, and urban co-op members who consume food; (4) up-grade Maltrana and other rural stores into produce collection, storage, and grading centers; (5) assure two-way loads for co-op transport--carrying consumer goods and supplies to rural stores, and carrying return loads of produce; and (6) introducing crop diversification and programmed planting/harvesting to facilitate high prices to producers.

We recommend La Merced request assistance from ACDI to study the feasibility of a marketing program, and if demonstrated promising, to prepare an OPG to support a marketing initiative.

AGRICULTURAL SUPPLY

1. How was demand for joint purchase determined?

Unknown. We are unaware that a formal demand study or survey was undertaken by ACDI consultants. Instead, farm supply stores were assumed to be a valuable service to farmers. It was decided to begin one store each year in a new area, allowing the project to learn from its own experience and correct its mistakes as the project advanced.

2. How and what resources were mobilized to provide farmers with needed inputs?

Under the OPG, La Merced committed itself to provide US\$175,000 in operating capital, equipment, and salaries to each store. Purchase of supplies was to be strictly on a cash basis. Currency devaluation resulted in foreign exchange shortages which virtually eliminated possibilities of bulk procurement of imported farm supplies. As a result, the rural store concept gradually abandoned farm supply sales in favor of consumer goods, educational supplies, and pharmaceutical products--items also of vital interest to rural households.

3. How were sources of goods, services, and equipment identified?

Unknown.

4. How timely and cost-effective was the supply process?

Under its revised formulation as a rural store for consumer goods, the Mairana operation proved dramatically profitable, earning average net income in excess of US\$1,000 per month. Of those households interviewed who used the store, large majority identified its low prices and its convenience as its principal benefits. Villa Busch store was not cost-effective. Chané store was never begun.

5. What were terms of payment, repayment, and delinquency rates?

No credit for consumer goods--a cash and carry operation. For overall agricultural credit, over 75 percent of all loans on short-term basis, repayable within 12 months at interest rates that grew from 18 to 32 percent over project period. Loan delinquency rate dropped from 72 to 8 percent (by number of loans), and from 32 to 11 percent by value.

6. Were the supplies used as intended?

Unknown. It is assumed that borrowers used credit to purchase supplies that they already knew how to use, using traditional techniques. Project's farmer training insufficient to cause important impact in input use.

AGRICULTURAL CREDIT

1. Was the need for credit recognized by appropriate groups?

Yes. Project was specifically focused on credit for small farmers--growers who do not qualify for loans from principal institutional lenders.

2. Were reliable and adequate sources of credit identified?

Yes. Sources were AID and La Merced. AID disbursements made in full, La Merced commitment was exceeded by 16 percent. Thus, both were reliable. However, increase in loan portfolio turned out to be inadequate due to drastic local currency devaluation, resulting ultimately in the need for credit rationing.

3. Was the management of credit resources competent and honest?

A strong yes on both counts. Over project period the performance of the Small Farmer Credit Program improved remarkably. Program procedures have now been institutionalized (procedures manual), placed on a routine basis.

4. What were the lending policies and financial conditions?

Interest rates increased from 18 to 36 percent due to currency devaluation and local inflation. Over 75 percent of loans short-term, 70 percent for agricultural and livestock investment, 30 percent for other rural productive investment. Collection procedures very tight, including classification of overdues and farm-level psychological intimidation of delinquents with known repayment capacity.

5. Who received credit and in what amounts?

Of total rural borrowers, 24% with area cultivated of 1-2 hectares, 36 percent with 3-5 hectares, 29 percent with 5-10 has., and 11 percent with over 10 hectares. Regarding loan amount, 64 percent of all borrowers received between 5,000 and 30,000 pesos (US\$200-1,200), 17 percent received more than 30,000 pesos, and 19 percent received less than 5,000 pesos.

6. What effects did credit have on farm finance?

Primary effect appears to be equity increases. Lack of a previous baseline study prevents analysis of changes in equity, land ownership, land rental.

7. Are subsidies, if any, clearly defined as to purpose and method of use?

A declining administrative subsidy by La Merced to the Small Farmer Credit Program has been observed. No separate accounting for subsidy capital, or formal application for subsidy, is practiced. Exact amount of subsidy is not known. Sources are mainly salaries, transportation, and office space provided by La Merced.

8. Are appropriate concepts of credit built into the credit program?

Yes. Positive concepts include (1) loan amount linked to member savings and number of previous loans repaid-in-full, (2) repayment scheduling to coincide with harvest period, (3) credit disbursement to coincide with crop schedule, (4) credit preparer and collector are same individual.

AGRICULTURAL PRODUCTION

1. To what extent did a clearly profitable production technology exist?

Credit Program researched and established profitable farm plans for tomatoes, potatoes, rice, corn, beans, soya, and several livestock enterprises. These model budgets guided loan preparation by credit agents. It is not clear the extent to which model budgets were annually revised to account for inflation and currency devaluation (which effected use of imported inputs).

2. To what extent was the technology adaptable to local conditions?

Credit Program allowed borrowers to employ tested traditional farming methods. Keynote of the Program was flexibility--permitting complete production decision-making autonomy to farmer-borrowers--combined with very disciplined loan collection and supervision.

3. To what extent could farmers benefit from the new technology?

Unknown. Also unknown is the extent to which new technology was actually available to farmers. No baseline or follow-up net income summaries conducted to establish cost-benefit.

4. What is the level of awareness of new technology among farmers?

Unknown. It is assumed that awareness of technology introduced by the project is low, because education and extension effort was limited to a small fraction of total rural communities and farmer-members.

5. To what extent did farmers need new knowledge and skills to implement new technology?

Unknown. However, use of modernized farming practices generally higher in the Santa Cruz region than elsewhere in Bolivia.

6. How was such knowledge or skills imparted to farmers?

Main communication vehicle was group lecture (charla), sometimes accompanied with field demonstration methods.

7. To what extent did farmers accept the new technology?

Unknown. See questions 3 and 4, above.

8. What were the effects of the technology on production levels?

Unknown. No pre-project baseline was established. Important economic and social benefits have been documented among farmers who received loans from the Program, but it is impossible to determine at this juncture whether income gains were generated by improved or additional technology.

9. To what extent was there a change in the nature of crops raised?

No significant changes detected.

NON-AGRICULTURAL CREDIT

Approximately 30 percent of all Small Farmer Credit Program loan portfolio went to non-agricultural rural loans. However, these were not specifically studied or evaluated separately from agricultural loans. For this reason we will not address the questions listed by DAI for this section.

HANDICRAFTS AND SMALL INDUSTRY

Not specifically relevant to this evaluation.

D. STUDY QUESTIONS RELATING TO INSTITUTIONAL PURPOSES

DEVELOP NEW COOPERATIVES

Not relevant to this project

STRENGTHEN EXISTING COOPERATIVE(S)

1. Was there a continuing need for the cooperative organization?

Yes, particularly in the rural sector. One out of every ten co-op members is a farmer or depends on agriculture as a secondary occupation. Among these producers, less than five percent have access to institutional sources of agricultural credit such as the Agricultural Bank of Bolivia.

2. Were there appropriate resources for continuing operations?

Definitely. La Merced is the largest cooperative in Bolivia. It has a staff of 83 employees, seven basic services, member share capital of \$b 29.3 million pesos (US\$666,000), and enjoys reasonable solvency.

3. Did the organization function according to cooperative principles?

Yes, on all accounts or indicators suggested by DAI.

4. How many members were there? What was the economic condition of members?

La Merced has about 42,500 members, of which just about 4,000 are farmers. This evaluation made no attempt to establish a profile of income or social characteristics for membership in general, only farmer-members. We estimate the income of the average farm family at US\$1,600 or about US\$275 per capita, of which 20 percent is from non-agricultural sources. The average family has US\$107 in co-op savings. About 40 percent conducted a housing improvement in the last year, and 25-20 percent purchased furniture or appliances for their home during that time. Regarding services, 54 percent have potable water, 47 percent have electricity, and 19 percent have latrines. Some 59 percent claimed access to the services of a physician during the last year, 32 percent claim recent improvements in family health, and 31 state there have been improvements in family nutrition in the last 12 months.

5. Was the cooperative legally constituted?

Yes.

6. How were member administrative groups involved?

Cooperative suffered from over-centralized decision-making structure which resulted in excessive control by Executive Director, underutilization of senior staff and directors

7. How actively did members participate in the cooperative?

This was not addressed by the evaluation. More active member participation was not a concern of the project.

8. How were cooperative employees involved?

At project outset, minimal decision-making by department heads. All but routine decisions referred to Executive Director. Administrative bottleneck had been created by over-dependence on Executive Director and under-dependence on senior staff.

9. What was the volume of cooperative activity?

Not addressed by this evaluation, except for Small Farmer Credit Program. The latter had a loan portfolio of \$b 2.9 million (US\$116,000), 502 borrowers, and delinquency of 70 percent.

10. What was the economic viability of the cooperative organization?

Strong, but with growing weaknesses. It displayed solid growth of member savings and reasonably good financial autonomy--i.e., member savings were 28 percent of total assets. However, debt burden of cooperative was growing twice as fast as assets, but still within safe limits.

11. Did the cooperative increase the level of community self-reliance rather than dependence on government institutions to meet needs?

Unquestionably. La Merced more than doubled its own contributions to the Small Farmer Credit Program and ultimately more than matched dollar-for-dollar the contribution by AID. Over the project period, local currency increases in rural savings reached 221 percent. La Merced accomplished this feat at a time when the Bolivian economy was in a state of near-collapse and when government programs directed at the rural sector had been drastically reduced.

HELP CREATE COOPERATIVE POLICY

This was not among the objectives of the project.

E. STUDY QUESTIONS RELATING TO BENEFICIARY PURPOSES

RESOURCES, SERVICES, OR TECHNOLOGIES PROVIDED TO BENEFICIARIES

1. What specific benefits were expected to accrue to beneficiaries based on membership or contact with the local cooperative?

The project only mentions an increase in the income level and standard of living of farmer-members of the cooperative. Types of benefits or income growth targets were not specified.

2. Were potential beneficiaries involved in determining the nature of the resources, services, or technologies provided?

Yes and no. The project was designed to improve an on-going program, the Small Farmer Credit Program. There is no evidence that beneficiaries were consulted about how this improvement was to be implemented. However, insofar as co-op members had to originally approve the Program in the first place--in General Assembly--it can be said that the beneficiaries were at least minimally involved in its establishment.

3. Were the resources, services, or technologies to be provided compatible with the socio-cultural environment?

Yes. Flexibility in implementation, leaving considerable loan-use discretion to the borrower, assured this compatibility. The Program best suits the needs of permanently-settled farmers. Many potential small farmer beneficiaries have been excluded from the Program because they are highly nomadic colonists.

4. Were the potential beneficiaries informed of the resources, services, or technologies which are to be provided?

Yes, but not adequately. The Program has used local radio programs, the cooperative newspaper, pamphlets, and "charlas" to inform the membership of the anticipated benefits. However, the Program did not institute an obligatory education activity prior to each borrower receiving their loan. Although this might not be practical anyway, the fact remains that education of co-op borrowers was less than adequate.

5. What were the nature and amounts of resources, services, or technology made available to beneficiaries?

In farm credit, the average beneficiary received two or more loans during the project period, based on a ratio of about 1:2 or 1:3 on the level of his savings. The average loan value increased from \$b 5,850 to \$b 23,240 over the project period. One farmer-borrower out of every ten bought inputs from his Cooperative. One farmer-borrower of every three purchased consumer or pharmacy products from a Cooperative store. One farmer-borrower out of every four received a "charla" or some kind of technical assistance from the Program over the life of the OPG.

RESOURCES, SERVICES, TECHNOLOGY USED BY BENEFICIARIES

1. What were the nature and amounts of resources, services, or technology used by beneficiaries?

Of 251 rural households interviewed (all La Merced members), 232 (92 percent) had received at least one loan during the project period. For inputs, consumer goods, and technical assistance services, see 5 above.

2. What was the nature of the beneficiary group receiving resources, services, or technology? Were the poor and women included?

Yes. Over 75 percent of borrowers were small farmers, with less than 20 hectares in total holdings. Some 60 percent of all borrowers cultivated less than five hectares. It is unknown how many of the borrowers were women. Approximately one out of every three borrowers held a leadership position in his/her respective community. Average income of borrowing family is US\$1,600.

3. Which cooperative services were considered most useful by the beneficiaries?

Farm credit. Some 62 percent of all borrowers indicated that loan disbursement was agile and helped them to conduct farming tasks opportunely. The second most useful service was the consumer store, highly regarded for its convenience and low prices. For details, see impact evaluation.

4. To what extent were cooperative-provided services, resources, or technologies used for their intended purpose?

Unknown. It is assumed, however, that appropriate use was high because of high repayment rates, high incidence of declared benefits from loan use.

5. To what degree were cooperative-provided resources used to expand business opportunities.

Roughly 30 percent of total rural loan portfolio was allocated to non-agricultural investments. In addition to those, about 5 percent of borrowers also invested in "commercial activities", and the impact evaluation shows that no less than 42 percent of all borrowers list commercial activities or "negocios" as a major source of family income. An exact count of such businesses, by type, was not conducted.

6. What were the results of unintended uses of resources, services, or technologies?

None have become apparent to this evaluation.

F. STUDY QUESTIONS RELATING TO GOALS

BENEFICIARY SOCIAL IMPACTS

1. Did beneficiaries increase their level of political participation in their society?

For lack of baseline study, measurement of increased participation was not possible. However, it was documented in the impact evaluation that 38 percent of all borrowers hold a community leadership responsibility. Also, 92 percent of families interviewed participated in community voluntary work during the last year, with more than 80 percent of them giving more than a week of voluntary labor. Some 86 percent of all respondents attended community meetings during the last year, half of them attending more than 10 meetings.

2. Did beneficiaries of the project gain personal/social skills?

It can be assumed that about 25 percent of project beneficiaries--those reached by "charlas" or technical assistance--improved their level of skills. In the impact evaluation, rural households expressed a strong desire for more frequent technical assistance.

3. Did beneficiaries gain additional health and sanitation services?

Yes. Of families interviewed, 32 cited improved health during the last year. Fifty-nine percent claimed access to a physician, 54 percent have potable water, and 39 percent have latrines.

4. Did the health status of beneficiaries improve?

Yes. See 3 above.

5. Did beneficiaries increase their level of social integration with the society.

Unknown, but presumed positive.

BENEFICIARY ECONOMIC IMPACTS

1. How did the project influence the economic circumstances of beneficiaries?

Clear causality between the project and the impact can not be demonstrated. However, 61 percent of all families interviewed cited an increase in family income during the last year. Almost 80 percent of these households estimated the increase to exceed \$b 20,000 (US\$200).

2. Did the project lead to greater personal productivity?

Yes. Some 45 percent of all respondents indicated an increase in their level of employment during the last year, while 84 percent indicated the purchase of productive capital such as machinery, tools, or land--which we may assume contributed to productivity enhancement.

3. Did the project lead to diversification or new types of production?

Unknown.

4. Did the project lead to increased employment opportunities?

Yes. See 2 above.

5. Were their differential impacts among different types of beneficiaries? Were the circumstances of the poor and of women improved?

Since the project was targeted specifically on small farmers, it can be stated that their circumstances have been improved and that the types of improvements are documented. To what extent women benefitted relative to men, or the slightly larger farmers relative to the smallest, is not known.

STRUCTURAL IMPACTS

1. Did the project lead to a shift in income distribution favoring the poor?

For lack of a baseline, this question can not be documented. It can be presumed that positive impacts generated by the project have helped to promote an improved income distribution among farmer-members of La Merced relative to non-members.

2. Did the project lead to increased services to the poor as a group?

Apparently not, or at least not yet. The project did lead to increased services for poor farmers who are members of the Cooperative.

3. Did the project lead to cooperative organizations gaining a greater share of economic markets?

Probably not. No marketing effort--other than consumer goods--was attempted by the project.

4. Did the project lead to an increased role by women in economic and political decision-making?

Unknown. This question was not evaluated.

5. Were disincentives created in other sectors of the economy.

None are apparent, even at the level of the local economy. To the contrary, it may be assumed that given the shrinkage of government agricultural credit, La Merced has become the largest supplier of farm credit in the Santa Cruz area--and certainly the lender of preference--for small farmers.

G. GENERAL COMMENTS ON THE D.A.I. COOPERATIVE EVALUATION SYSTEM

1. Strengths of the System

Overall, the system developed by Development Associates Inc. to evaluate cooperative development projects has many strengths, even though the present evaluation may not have taken advantage of them. It is a fairly comprehensive guide to both the project planner as well as the evaluator. It is general enough to fit a broad spectrum of cooperative projects of many

different types located in very different settings, yet it is specific enough to guide the formulation of very detailed questions about project design or performance. Among the system's most salient strengths are the following:

INTEGRATION WITH THE LOGICAL FRAMEWORK METHODOLOGY: The DAI system is based on the formulation of a detailed Logical Framework, which itself is a powerful planning and evaluation tool. This integration allows the DAI system to easily fit into on-going planning/evaluation approaches, particularly those employed by the Agency for International Development, its many consultants and sponsored institutions.

THE CO-EQUAL EMPHASIS ON PLANNING AS WELL AS EVALUATION: The DAI system is not just for evaluating completed projects. Possibly its best application is in guiding project planners to design a coherent, logical, and effective cooperative development strategy in the first place. And even before project design itself is begun, the DAI system offers a very complete check-list of factors for conducting needs assessments and institutional analysis on which to base a project initiative.

THE STUDY QUESTIONS: With due allowance for overlap and repetition between sections, the study questions suggested by DAI are generally very useful. Excluding the non-applicable sections (noted above), there were fewer than a half-dozen questions which we found did not apply to the OPG project evaluated in this report. Not only are most of the questions applicable, but they are important ones as well.

2. Deficiencies of the System

INCOMPLETE INDICATORS: The DAI system's usefulness is constrained by its so-called "indicators". As presented, these are not indicators at all but rather lists of variables. To truly "indicate" something, the indicator must establish some kind of norm or criteria that allows one to distinguish between adequate or inadequate performance. Expressed differently, for the variable to be converted into a true indicator it must be accompanied by a measurable quantity or range of quantities that allows the planner or the evaluator to reach a decision as to "good" versus "bad", "adequate" versus "inadequate", "high" versus "low", "advisable" versus "mistaken", "necessary" versus "unnecessary".

It is certainly easy to understand why DAI left out the specification of criteria, especially numerical ones, because this would have jeopardized the application of their system to a wide range of projects. Indeed, one might argue that specifying criteria for indicators can only be done on a project-by-project basis. But in leaving out criteria, DAI has greatly diluted the usefulness of its system.

LACK OF STUDY QUESTION PRIORITIZATION: In our opinion, the DAI system leaves too much discretion and flexibility to the user. In effect, it tells the reader: "Use only those questions you think are applicable to your project." Such freedom is clearly appropriate for Section 3--Content Specific Questions--but elsewhere it opens the door to the danger of complete abandonment of the methodology itself. What is to keep the planner or evaluator from saying all the DAI questions are irrelevant?

We believe DAI should hazard a prioritization of the study questions. The user should have some guidance as to what are the most critically important questions, and which are the nice-to-have-if-time-permits questions. To assure comparability of data or general conclusions across different projects and countries, some minimum set of questions must be addressed. The DAI system presents 143 separate study questions, of which 60 are content-specific. Each question requires a given data collection effort which has attendant expenses in terms of time and money. Perhaps the questions should be graded as to their complexity in gathering data to answer them. For example, questions that can only be answered through a farmer survey are much harder to address than those requiring a review of available accounting records. In sum, these matters of priority and complexity can be very important in the planning and budgeting of cooperative evaluations.

In its effort to be broadly applicable and flexibly applied, the DAI methodology is in danger of becoming too much of a shopping list, and not enough of a guide.

INADEQUATE GUIDANCE ON COLLECTING DIFFERENT KINDS OF DATA: The DAI system lists data sources for answering each study question. Some of these listings are trivial in their generality--for example, "farmer surveys", "government records", "accounting records". The methodology could be made more useful if the document were to cite more examples of how and where within each source the desired data can be found. The appended "Evaluation System for ACDI/Honduras Regional Service Cooperatives" represents a step in the right direction, but much more guidance is still needed. It would seem that the DAI methodology was written on the assumption that its readers would already know how to design their own survey questionnaires, summary sheets, and other data collection instruments. Even among professionals, and even among those with prior experience in planning and evaluation, very few would be able to fill the gaps left by the DAI guidance with regard to data gathering methodology.

AN EVALUATION SYSTEM DEPENDENT ON U.S. PROFESSIONALS AND A.I.D. FINANCING; The content of the DAI document--particularly Chapter VII--clearly suggests an evaluation process controlled by U.S. professionals and financed by AID. A process flowchart on page 31 recommends that all planning and design tasks for the evaluation take place in the U.S. The recommended composition of the "evaluation team" (pages 33-4) contains four presumably U.S. professionals including (1) a team leader, (2) economist, (3) social/cultural analyst, and (4) a cooperative specialist. Almost as an afterthought, it is mentioned that it may be useful to also contract 1-2 local (host-country) specialists.

Unfortunate but true, an evaluation process dependent on U.S. professionals makes the DAI system just about the most expensive option available. Once their salaries, overhead, per diem, travel, and other expenses are totalled, the costs of an evaluation-by-Americans are usually too great to be afforded more than once or twice in the life of most cooperative projects, and only then if AID or another external funding source pays the tab. Most cooperative organizations or government promotion agencies in the Third World simply can not afford--using their own funds--to hire Americans to do their evaluations.

Therefore, in our opinion the evaluation process guidance provided by DAI goes in exactly the wrong direction. What is most needed are suggestions for making cooperative evaluations less expensive, less dependent on U.S. professionals. Furthermore, we believe the best use of American technical assistance is made when these specialists transfer their skills to host-country counterparts, and when maximum use is made of available host-country resources and expertise.

Very simply, as long as the DAI methodology remains an expensive, AID-financed system, it will never be widely replicable or frequently applied. The ultimate test of the evaluation system's true merit will be best measured by whether or not it can be read, understood, implemented, and improved by Third World cooperative personnel--with little or no external assistance.

ANNEX A.
PERSONS CONTACTED

USAID/Bolivia

Roberto Leon de Vivero, Head, Div. Development, Planning, and Evaluation
Robert Thurston, Head, Office of Rural Development
Gary Bayer, Office of Rural Development

ACDI

Robert Flick, Project Monitor, ACDI/Washington
Stephen D. Wiles, Resident Advisor in Bolivia

Cooperativa La Merced

*Adalberto Terceros Banzer, Director Ejecutivo and President Admin. Council
Wilfredo Barba Velásquez, Internal Auditor
Gilberto Añez Hoffer, President, Vigilance Council
*Luis Soria Melgar, Director, Sección Prestamos Campesinos
Aida Mendoza Cabrera, Secretary
*Tito Villca Soletto, Agronomist
*Walter Arteaga K., Loan Assistant
*Hildeberto Bazán S., Field Office, Mairana
Kumiko Sasamoto M., Field Officer, Yapacaní
Justina Merdez Vaca, Field Office, Montero
*Crisostomo Santivañez, Field Officer, Villa Busch
Betty H. de Bazan, Operator of Mairana Store
Gumerindo Alvarez Aguilera, Director, Sección Computación
Jorge Elías Taborga, Director, Sección Contabilidad
Nora Valencia Guerra, Secretary, Executive Director's Office
Jorge Kinn Monasterio, Sub-Director, Sección Computación
Luciano Sanabria Soruco, Director of Personnel
Alfredo Montero Céspedes, Director, Sección Cobranzas
Victor Ortega Chávez, Director, Sección Prestamos Urbanos

Small Farmers

The names of 251 families contacted for the survey are contained in the companion document, Resumen de Analisis e Interpretación de Datos

* = Persons who accompanied the evaluators and interviewers during their field visits.

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ANNEX B.

DOCUMENTOS REVISADOS Y VERIFICADOS DEL PROYECTO CAMPESINO

DIRECCION
DIRECCION EJECUTIVA

Oficina Sr. Luis Soria M. Jefe Sección Préstamos Campesinos

- Institutional and Financial Analysis
Cooperativa Multiactiva "La Merced Ltda."
Prepared by: Hector Acevedo and Robert Flick, Consultants for
Consortium for International Development. (CID)
Date: July 31, 1.979
- ACDI 1.979 "A"
- ACDI 1.979 "B"
- Analisis Económico del Crédito de una comunidad campesina: "La Enconada"
- Encuesta sobre Créditos Agrícolas en Cooperativas
Informe para los socios de "La Merced Ltda." - Yapaquí
Por: Jaime Bravo S. - y German Rivera M. -
Fundacion Integral de Desarrollo (FIDES)
- Cooperativa Multiactiva "La Merced Ltda." ANEXOS
- Operational Program Grant Proposal
La Merced Small Farmer Credit Project
CPG # 511 - 0533
Date of Proposal: August 23, 1.979, Date Approved: August 29, 1.979
- Proyecto ACDI/AID 23-8-79
- Cooperativa de fines Múltiples "La Merced Ltda." Estados Financieros
al 31 de Diciembre de 1.979, 1.980, y 1.981 Moreno Muñoz y Cía (Asociados con Price
Waterhouse).
- Esteban Wiles 1.980
- ACDI 1.980 "D"
- La Merced Small Farmer Credit Project
Informe del trabajo
de junio 8, 1980 a Julio 1, 1.980
Por: Percy Avram. ACDI Short Term Consultant
Fecha Junio 30, 1.980
- Reporte de Evaluación
La Merced Small Farmer Credit Project
Date: Diciembre 1.980
Prepared by: Juan Alvarez, ACDI Consultant
- Préstamos Campesinos Manual de Procedimientos.
- Price Waterhouse Consultores de Empresas.
- ACDI 1.981 "C"
- La Merced Small Farmer Credit Project
Request for Amendment # 2
Prepared by: Robert Flick, ACDI Project Development Officer
Date: March 4, 1.981
- Informe Evaluación y Supervisión Presupuestos en Cooperativa Multiactiva
"La Merced Ltda." Santa Cruz - Bolivia
Por Agricultural Cooperative Development International ACDI.
Consultor: Dr. Hector N. Acevedo
San Juan, Puerto Rico Agosto 8 de 1.981

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- La Merced Small Farmer Credit Project
Acceptance of Request for Ammendmt # 2
Prepared by: Malcom H. Bulter, Acting Director, UDSAID/Bolivia
Date: August 12, 1.981
- La Merced Small Farmer Credit Project
Acceptance of Request for Ammendment # 2
Prepared by: Malcom H. Butler, Acting Director, USAID/Bolivia
Date: August 12, 1.981
- Informe: Evaluación y Supervisión de Presupuesto
En la Cooperativa Multicativa "La Merced Ltda."
Por: Dr. Hector H. Acevedo
Fecha: 12 de Agosto de 1.981
- Presupuesto 1.982
- Informe final Cooperativa Multiactiva "La Merced Ltda."
Desarrollo de Cooperativas Agrícolas Internationa (USAID/B)
Por: Ing. Stephen D. Wiles
Asesor de Proyecto
Sr. Luis Soria M.
Jefe Préstamos Campesinos
Fecha: 5, Mayo de 1.982
- Cooperativa de fines Multiples "La Merced Ltda."
Procedimiento para el Presu puesto de Caja - Julio 1.982 Corto Plazo
Por: Price Waterhouse & Co.
- Cooperativa de fines multiples "La Merced Ltda."
Informe de Avance al mes de Junio 1.982
Julio 1.982
Por Price Waterhouse & Co.
- Cooperativa de fines Multi,les "La Merced Ltda."
Control de existencia de depósito y Salones de ventas Julio 1.982
Por: Price Waterhouse.
- Campaña de Movilización rural.
17-8-82
- Manual de Organización y Funciones Caja, Préstamos, Contabilidad, Asesoría Legal.
- Memorias anuales de la Cooperativa "La Merced Ltda."
años 1.979, 1.980 y 1.981.
- Cooperativa Multiactiva "La Merced Ltda."
Organigrama Funcional en 1.979
- Préstamos Campesinos Manual de Procedimiento
Fecha: 1.981
- Price Waterhouse 13-12-1.981
- Evaluating Cooperative Debelopment Project: A sitem for Planners,
Project Staff, and Evaluators.
Developmen Asossiates, Inc.
Date: May 14, 1.982
- Correspondencia recibidas y despachadas 1.982
- Proyecto de Evaluación
- Cooperativa Multiactiva "La Merced Ltda."
Cuadros Estadísticos.

- Morosidad total Préstamos Campesinos
- Préstamos Campesinos Acumulativos
- Cartera de Préstamos Campesinos
- Orden Cronológico de Morosidad
- Membresía Acumulativa
- Ahorros Acumulativos menos los retirados
- Cartera de Préstamos Campesinos
- Número de Préstamos Acumulativos
- Valor Promedio de Préstamos en Cartera
- Plan de Implementación
- Ahorros Campesinos
- Membresía Acumulativa menos los retirados
- Número de Préstamos vigente
- Morosidad total de Préstamos Campesinos
- Control de Morosidad
- Correspondencia recibida y despachada 1.980
- Correspondencia recibida y despachada 1.981
- Correspondencia recibida y despachada 1.982

Superior Mill - "S. Reed"
 Balance Sheet - Periods 1978 - 1982

ANNEX C.

| <u>Activo</u> | 1978 | 1979 | 1980 | 1981 |
|-------------------------------------|-----------------|-----------------|-----------------|-----------------|
| <u>Activo Corriente</u> | | | | |
| Deportable | | | | |
| Deudas a Cobrar por Ventas | 3811750 | 9929880 | 5291819 | 2152886 |
| Otros Ctes. y Notas | 22982269 | 27162756 | 22766214 | 30264155 |
| Inventarios | 112276 | 4564823 | 419702 | 7909131 |
| Reserva pagada y distribuida | 2152817 | 2703935 | 3491570 | 11836937 |
| Estad. otros | 182959 | 330219 | 202690 | 298227 |
| <u>Activo no corriente</u> | <u>39235332</u> | <u>40491613</u> | <u>36869035</u> | <u>54747330</u> |
| Deudas a largo plazo | | | | |
| Deudas a largo plazo | 27191327 | 25291888 | 39319830 | 31342604 |
| Inventarios | 1265445 | 10732348 | 729808 | 10831232 |
| Reservas | 5061233 | 6709060 | 7242833 | 7694760 |
| <u>Activo fijo</u> | <u>21211256</u> | <u>20969442</u> | <u>22412415</u> | <u>26033737</u> |
| Costo de activo no corriente | 55604561 | 63142218 | 70704886 | 75907333 |
| Depreciación | 34393305 | 42172776 | 48292471 | 49873596 |
| <u>Deudas</u> | <u>27889367</u> | <u>32112326</u> | <u>38293045</u> | <u>39407231</u> |
| <u>Deudas a largo plazo</u> | | | | |
| Deudas | 9350000 | 14210357 | 10892520 | 2095287 |
| Provisiones, otros | | 1408319 | 1762770 | 2095287 |
| <u>Deudas a corto plazo</u> | <u>10936367</u> | <u>16262673</u> | <u>12655290</u> | <u>24776611</u> |
| Excedente de Invent. no Realizado | | | | |
| en Operaciones | 7465227 | 11111025 | 7050079 | 1728041 |
| Aplicaciones de Socio | 26139991 | 25151045 | 26689459 | 29270718 |
| <u>Patrimonio</u> | <u>6546857</u> | <u>7662233</u> | <u>20173502</u> | <u>20740742</u> |
| Reserva | 13641270 | 14870906 | 2290992 | 2430535 |
| Excedente | 2920347 | 37069 | 421548 | 2280791 |
| <u>Total de Patrimonio</u> | <u>28187504</u> | <u>22513208</u> | <u>22886048</u> | <u>25452068</u> |
| <u>Total de Pasivo y Patrimonio</u> | <u>34777672</u> | <u>40704821</u> | <u>40757392</u> | <u>40704821</u> |

COOPERATIVA MULTIACTIVA "LA MERCEO LTDA"
ESTADO DE EXCEDENTES Y PERDIDAS - PERIODO 1978 - 1981

| | 1.978 | 1.979 | 1.980 | 1.981 |
|--|----------|-----------|-----------|-----------|
| Diferencia (Ingresos - costo de venta) | 5552659 | 3185199 | 4673957 | 5413680 |
| Intereses ganados - | 7306416 | 8142691 | 10973252 | 15460725 |
| Excedente bruto | 13359074 | 11328418 | 15547209 | 20874405 |
| Menos otros gastos | 11710360 | 15167013 | 21401515 | 20874405 |
| Resultados de operación | 1648714 | (4423595) | (5854366) | (6524696) |
| Menos otros excedentes | 1389551 | | 6295914 | 8805487 |
| Mas otros ingresos | | 5465562 | | |
| Menos otros egresos - | | 994894 | | |
| Excedentes antes impuestos | 3638599 | 37069 | 34000 | |
| Impuestos 3% sobre excedentes | 113242 | | 421548 | 2280791 |
| Excedentes no apropiados al cierre del ejercicio - | 2926347 | 37069 | 421548 | 2280791 |

Santo Cruz - 2 - IV - 1982

Los datos de las cuentas para recurrir al Balance General y Resultados de 1978 a 1982 se encuentran en el Anexo - que forma parte de este informe -

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HOJA DE RESUMEN PARA CALCULAR INGRESO NETO Y RENDIMIENTO
DE UN RUBRO AGRICOLA (Summary sheet to calculate yield
and net income of a crop enterprise)

NOMBRE DEL AGRICULTOR _____

AÑO AGRICOLA _____

RENDIMIENTO DEL RUBRO

CULTIVO Y VARIEDAD _____

EXTENSION SIEMBRADA _____ HAS.

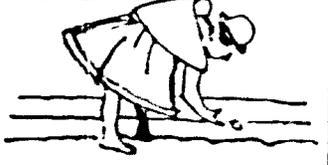
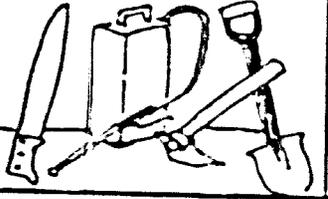
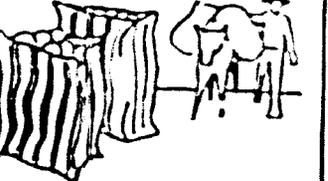
| DETALLE DE GASTOS | | CANTIDAD | PRECIO | VALOR TOTAL |
|--|-------------------------|----------|--------|-------------|
| PREPARACION DEL TERRENO | Mano de Obra Familiar | | | |
| | Mano de Obra Contratada | | | |
| | Maquinaria | | | |
| | Animales | | | |
| | Otros | | | |
| | TOTAL | | | |
| SIEMBRA | Mano de Obra Familiar | | | |
| | Mano de Obra Contratada | | | |
| | Maquinaria | | | |
| | Animales | | | |
| | Semilla | | | |
| | Fertilizante | | | |
| | Otros | | | |
| TOTAL | | | | |
| LABORES CULTURALES | Mano de Obra Familiar | | | |
| | Mano de Obra Contratada | | | |
| | Maquinaria | | | |
| | Animales | | | |
| | Fertilizante | | | |
| | Insecticida | | | |
| | Otros | | | |
| TOTAL | | | | |
| COSECHA | Mano de Obra Familiar | | | |
| | Mano de Obra Contratada | | | |
| | Maquinaria | | | |
| | Animales | | | |
| | Otros | | | |
| TOTAL | | | | |
| OTROS GASTOS | Alquiler del Terreno | | | |
| | Fase de Intereses | | | |
| | TOTAL | | | |
| TOTAL GASTOS DIRECTOS DEL RUBRO | | | | |
| PRODUCCION COSECHADA | | | | |
| SUB-PRODUCTOS | | | | |
| TOTAL VALOR DE LA PRODUCCION DEL RUBRO | | | | |
| Menos GASTOS DIRECTOS | | | | |
| GANANCIA (Margen Bruto) | | | | |

Best Available Document

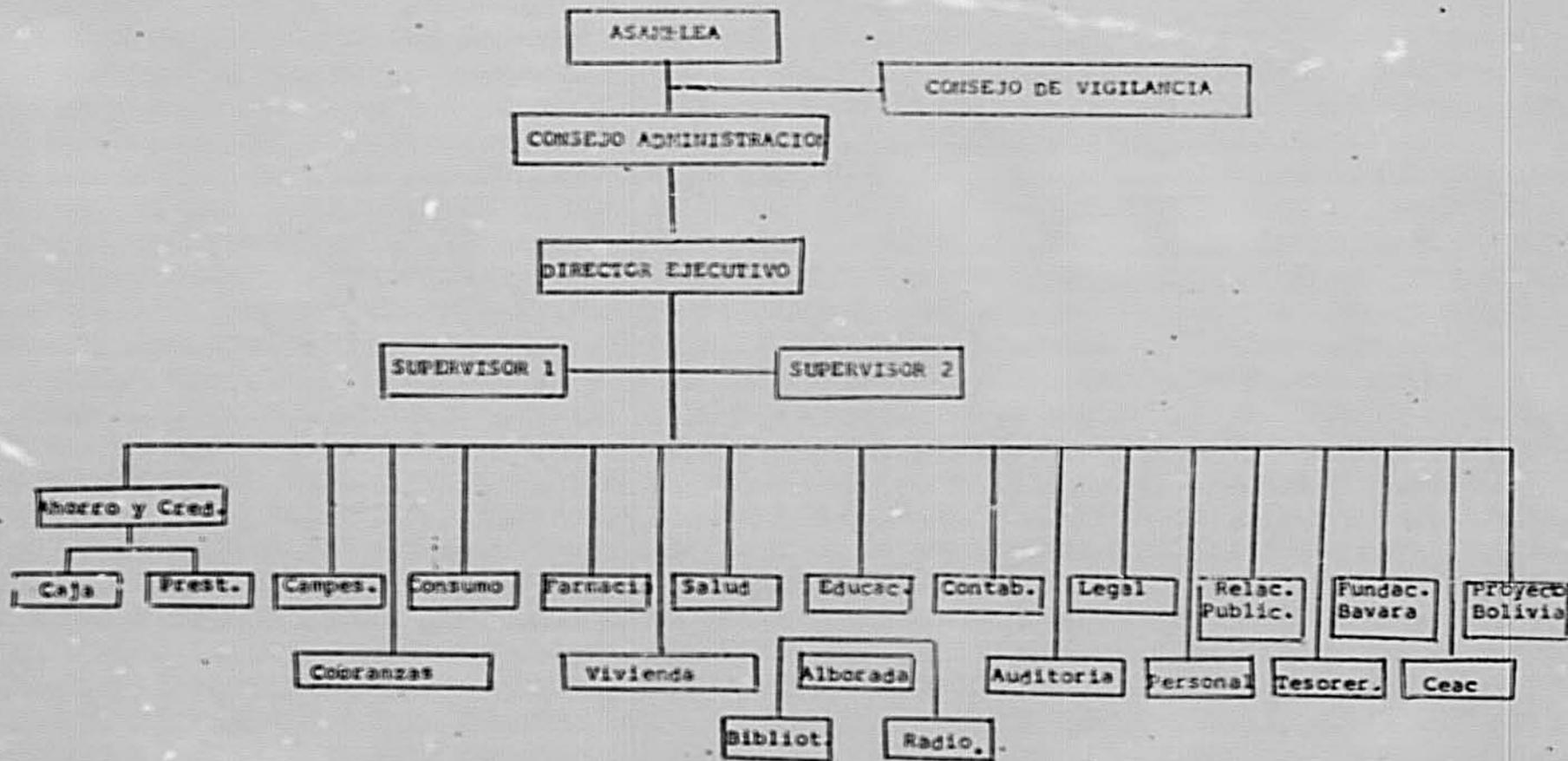
88

Exhibit 2: For Use by Illiterate Farmers

ANNEX D

| | MANO DE OBRERA FAMILIAR  | MANO DE OBRERA CONTRATADA  | ANIMALES  | MAQUINARIA  | AGUA DE RIEGO  | SEMILLA  | FERTILIZANTE Y ABONO  | INSECTICIDAS  |
|--|--|--|--|---|--|--|---|---|
| PREPARACION DEL TERRENO  | | | | | | | | |
| SIEMBRA  | | | | | | | | |
| LABORES CULTURALES  | | | | | | | | |
| COSECHA  | | | | | PRODUCCION COSECHADA | | | |

COOPERATIVA DE SALUD "LA HERCULES" S.A.
ORGANIGRAMA FUNCIONAL EN 1979



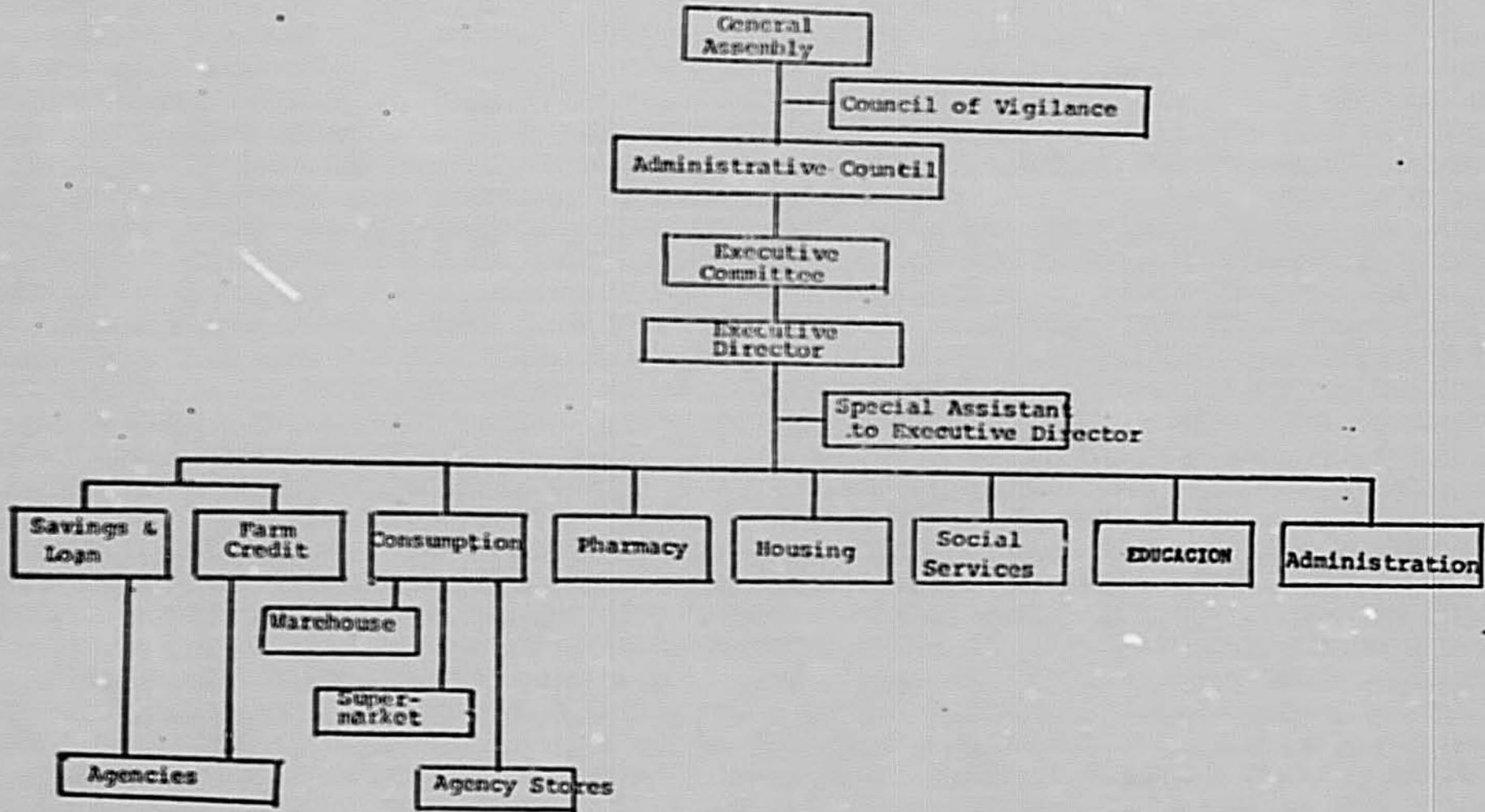
ANNEX E
Exhibit 1.

Best Available Document

90

CHART IV

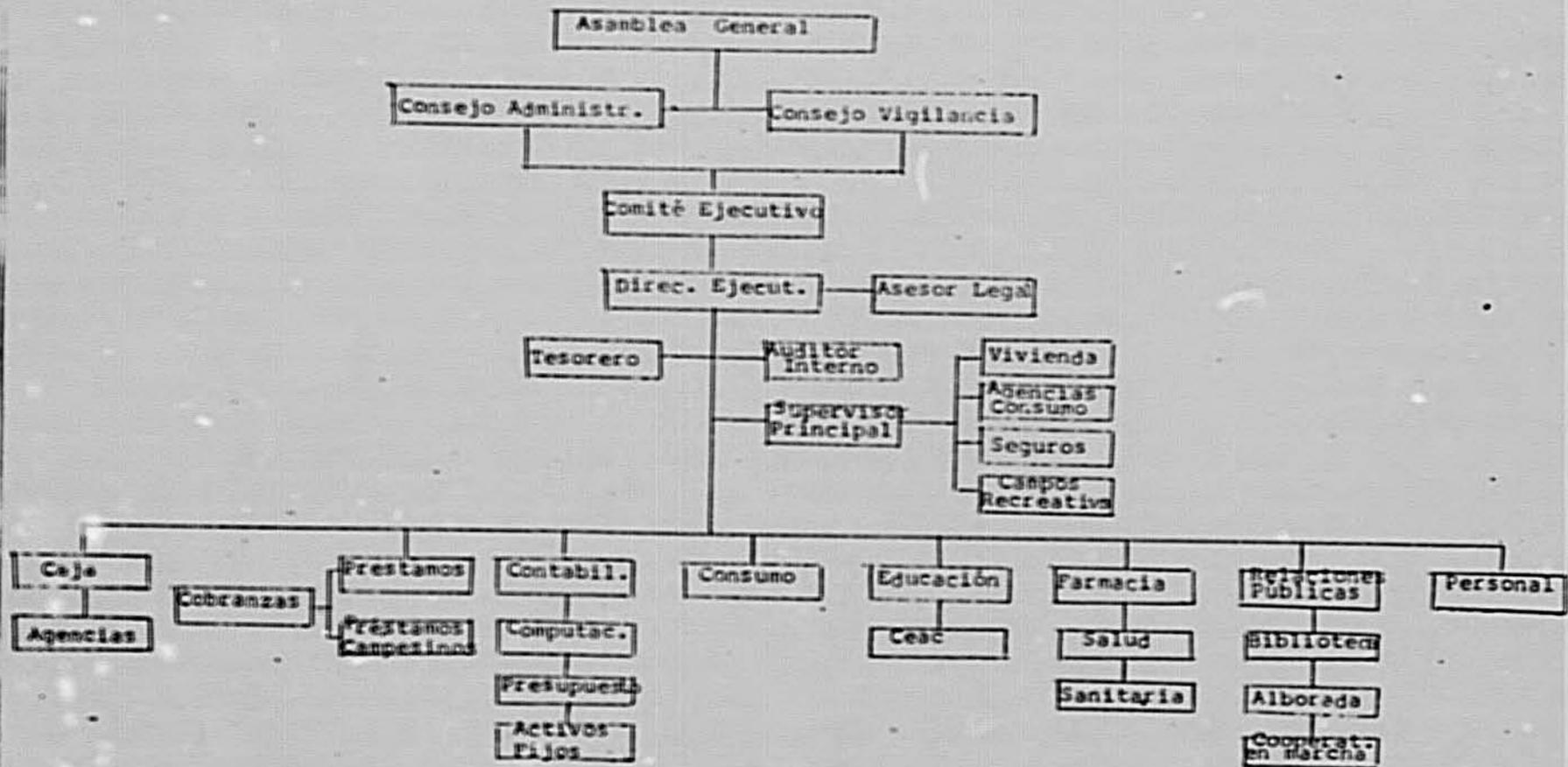
COOPERATIVA LA MEDIDA
SUGGESTED REORGANIZATION



ANNEX B
Exhibit 2.

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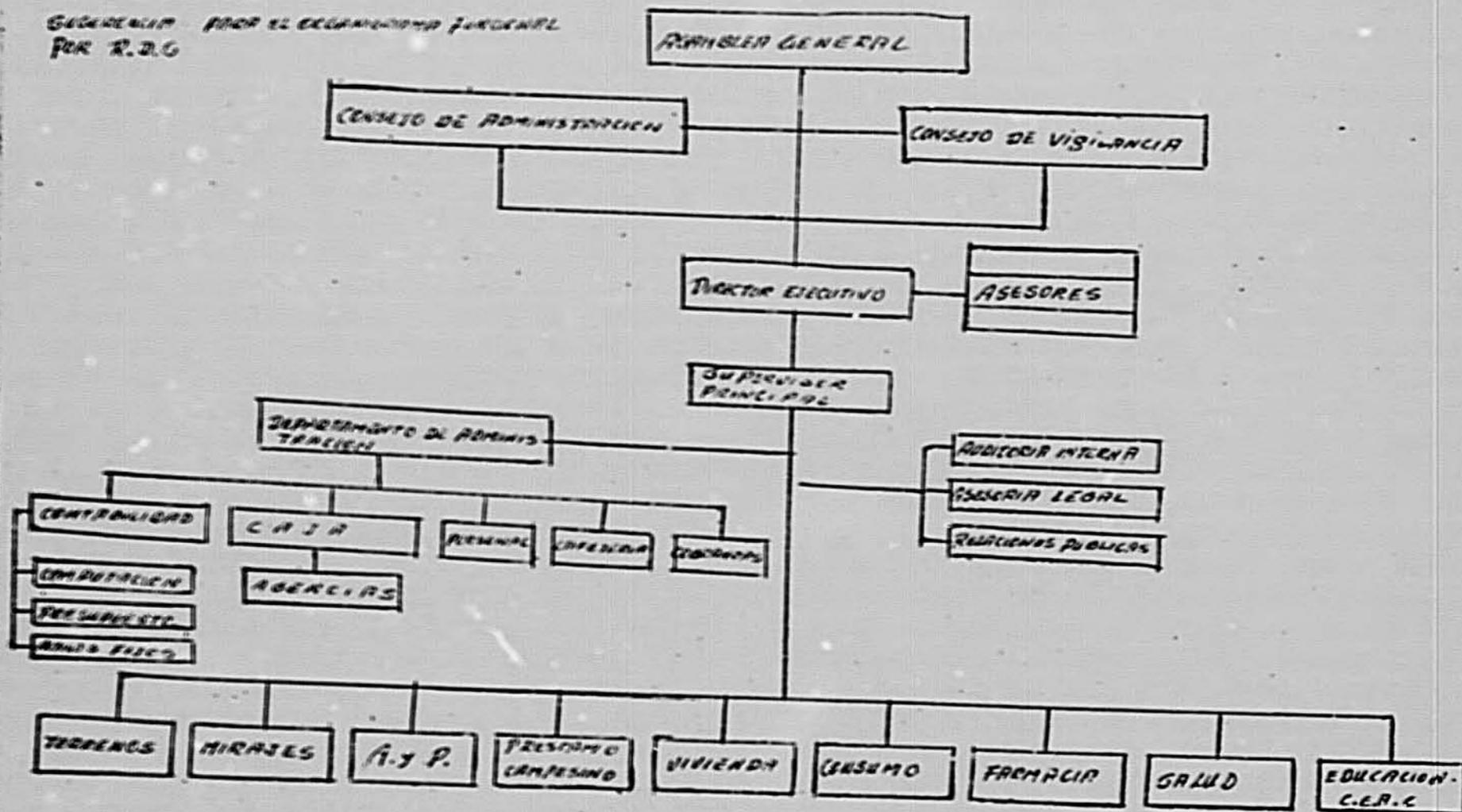
CONFEDERATIVA INDUSTRIAL "LA UNIÓN" LTDA
ORGANIGRAMA FUNCIONAL EN 1980



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COOPERATIVA MULTIRRATIVA
"LA MERCED LTDA"

REGULACION PARA EL EXERCICIO DE LA FUNCIÓN
POR R.D.G.



A.L.F. XI-1982

Best Available Document

A.- IDENTIFICACION.

- 1.- Nombre y apellido del entrevistado.
- 2.- Nombre del lugar ó Comunidad donde vive.
- 3.- Cuántos años es socio de la Cooperativa.
- 4.- Libreta No.
- 5.- Socio (s) en la familia (anotar todo los socios del grupo familiar con sus números de libreta).

B. CARACTERISTICAS DEL SOCIO.

- 6.- Se considera un productor grande, mediano, pequeño?
- 7.- Su ocupación principal es agricultor ó ganadero?
- 8.- Ocupaciones secundarias: (Enumere).
- 9.- Cuánto animales tiene?
- 10.- Qué extensión de terreno tiene?
- 11.- En el año 1.981, cuántos hectareas cultivó?
- 12.- Ud. se arrienda terreno de otras personas? Qué extensión?
- 13.- Arrienda sus terrenos a otras personas? Que extensión?

C. CREDITO DE PRODUCCION.

- 14.- Ha recibido préstamo de la Cooperativa, cuántas veces? (Si es NO, pase a la pregunta No. 22).
- 15.- Cuando fue su último préstamo?
- 16.- Cuánto de dinero se prestó por última vez?
- 17.- En qué lo utilizó?
- 18.- Qué beneficios consiguió con el préstamo?
- 19.- Tuvo algún problema para prestarse?
- 20.- Se a trazó en pagar sus cuotas de su préstamo? Por qué motivo?
- 21.- Qué recomendaciones hace para corregir las deficiencias mencionadas ó para mejorar el servicio de crédito?

D. INSUMOS COMPRADOS.

- 22.- Ha comprado insumos de la Cooperativa? (Si en NO, pase a la pregunta No 28).
- 23.- Cuando compró por última vez? (mes y año).
- 24.- Qué productos compró? (enumere).
- 25.- Qué beneficios consiguió con estos insumos?
- 26.- Tuvo algún problema en la compra y uso de estos insumos?
- 27.- Qué recomendaciones hace para corregir las deficiencias mencionadas ó para mejorar el servicio de insumos?

E. CAPA CITACION O ASISTENCIA TECNICA .

- 28.- Ha recibido alguna capacitación ó asistencia técnica de la Cooperativa (Si es NO, pase a la pregunta No. 34).
- 29.- Sobre que fue la capacitación a asistencia?
- 30.- Cuánto duró y con qué frecuencia lo recibió?
- 31.- Qué beneficios ha conseguido con esta capacitación?
- 32.- Tuvo problema con esta capacitación ó asistencia?
- 33.- Qué recomendaciones hace, para corregir las deficiencias mencionadas ó para el mejor servicio de la capacitación ó asistencia técnica?.

F.- OTROS SERVICIOS RECIBIDOS.

- 34.- Ha recibido algún otros servicio de la Cooperativa? (Educación, Farmacia Consumo, Salud, Recreación, Sección Legal) Si es NO, pase a la sección G.
- 35.- Qué servicios Fueron?
- 36.- Qué beneficios consiguió con estos servicios?
- 37.- Tuvo algún problema para recibir estos servicios? . . .
- 38.- Qué recomendaciones hace para mejorar los servicios mencionados?.

G. CAPACITACION EN REGISTRO POR RUBRO.

- 39.- Lleva algún registro de gastos de producción para sus principales rubros agrícolas? (en caso de contestar SI, se lo preguntará lo siguiente, Si es NO, pase a la pregunta No. 47).
- 40.- Cuál fue el rubro más importante sembrado y cosechado durante el último ciclo agrícola? (1.981-1982).
- 41.- Qué extensión sembró?
- 42.- A cuánto llegaron los gastos para este rubro de cultivo?.
- 43.- Cuál fue la cantidad cosechada? En cuánto vendió toda la cosecha?.
- 44.- Cuántos jornales de mano de obra familiar empleó?.
- 45.- Cuál fue la ganancia bruta que quedó al agricultor? (Es decir el No. 43 menos la pregunta No. 42).
- 46.- Cuánto ganó por jornal familiar trabajado? (hay que dividir el No. 45 por 44)Agradecer el entrevistado por su colaboración, felicitandole por sus anotaciones de cuentas.

PARA AGRICULTORES QUE NO LLEVAN REGISTRO.

- 47.- Le gustaria aprender una metodologia sencilla, para llevar sus cuentas? Si es NO, termina la entrevista, Si es SI, se procederá a llenar una hoja de RENDIMIENTO POR RUBRO, para el rubro principal del entrevistado. A l terminar una copia queda con el agricultor y otra copia lleva el entrevistador.

CUESTIONARIO PARA MEDIR IMPACTO EN LA FAMILIA

COOPERATIVA MULTIACTIVA LA MERCED LTDA

A. CARACTERISTICAS DEL SOCIO

1. Nombre del entrevistado _____ Socio _____ N° _____
2. Nombre del lugar o comunidad _____
3. Nombre de la esposa _____ Socia _____ N° _____
4. Nombre de los hijos: _____ Socios _____ N° _____
5. Carga familiar N° _____ Menores de 15 años, N° _____
6. Ocupación principal del jefe de hogar _____
7. Ocupaciones secundarias del jefe de hogar _____
8. Ocupación u oficio de otros miembros de la familia que aportan económica-
mente al hogar: _____

B. IMPACTO ECONOMICO

9. INGRESOS AL HOGAR: Cuáles son las principales fuentes de ingreso de la familia?

| <u>FUENTES DE INGRESO</u> | <u>VALOR ESTIMADO</u> | | <u>PORCENTAJE</u> |
|---------------------------|-----------------------|--------------|-------------------|
| | <u>MENSUAL</u> | <u>ANUAL</u> | |
| _____ | _____ | _____ | _____ |
| _____ | _____ | _____ | _____ |
| <u>TOTAL</u> | | | _____ |

10. AUMENTO DE INGRESOS: Hubo aumento significativo de ingresos en el último año? NO _____ SI _____

FUENTE (S): _____ Valor estimado: _____

11. AHORROS: En la familia se logró algún ahorro durante el último año?
NO _____ SI _____, aproximadamente cuánto se logró ahorrar?
en sus libretas _____ en efectivo _____

12. EMPLEO: Hubo algún aumento en el trabajo familiar durante el último año?
NO _____ SI _____

| <u>FUENTE DE TRABAJO</u> | <u>QUIEN TRABAJA</u> | <u>CUANTOS DIAS</u> |
|--------------------------|----------------------|---------------------|
| _____ | _____ | _____ |
| _____ | _____ | _____ |
| _____ | _____ | _____ |

13. CAPITAL PRODUCTIVO: La familia hizo alguna inversión en capital productivo durante el último año? (Ej. maquinaria, herramientas, animales, compra de terrenos, etc.) NO _____ SI _____

DETALLE DE INVERSION VALOR ESTIMADO

14. FUENTES DE FINANCIAMIENTO: La familia tuvo alguna fuente de financiamiento, durante el último año? NO _____ SI _____

DETALLE DE LAS FUENTES PARA QUE? VALOR

C. IMPACTO SOCIAL

15. VIVIENDA: Hubo mejoras en la vivienda familiar, durante el último año?

SI _____ NO _____

TIPO DE MEJORAS VALOR ESTIMADO

16. MUEBLES Y ENFERMEDADES: Se compró alguno(s) durante el último año? NO _____ SI _____

MUEBLES O ENFERMEDADES COMPRADOS: VALOR ESTIMADO

17. COMIDA: Hubo alguna mejora en la alimentación de la familia durante el último año? NO _____ SI _____ Qué productos fueron consumidos en mayor cantidad? (Ej. carne, pescado, leche, fruta, hortaliza, y otros.)

18. SAUD: Se observó alguna mejora en la salud de la familia? NO _____ SI _____

A qué se debió el cambio? _____

19. Cuáles fueron las principales enfermedades sufridas por diferentes miembros de la familia, durante el último año?

NOMBRE TIPO DE ENFERMEDAD DIA DE DURACION RECIBIO ATENC. MEDICA? COOP? PARE?

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Impacto social (Continuación)

20. SERVICIOS: Hubo la instalación o mejoría de algún(os) servicios como agua potable, luz, letrina, u otros? NO _____ SI _____ DE QUE?

21. EDUCACION Y CAPACITACION: De los hijos en edad escolar _____, cuántos continúan sus estudios durante el último año? _____

22. Qué capacitación recibieron los jefes del hogar u otro miembro adulto durante el último año?

| <u>NOMBRE</u> | <u>MATERIA DE CAPACITACION</u> | <u>POR QUIEN?</u> | <u>DIAS DE CAPACITACION</u> |
|---------------|--------------------------------|-------------------|-----------------------------|
|---------------|--------------------------------|-------------------|-----------------------------|

23. ROPA: La familia compró ropa durante el último año? NO _____ SI _____

| <u>DESCRIPCION DE COMPRAS</u> | <u>VALOR ESTIMADO</u> |
|-------------------------------|-----------------------|
|-------------------------------|-----------------------|

24. RECREACION: Ha aumentado la participación de la familia en actividades recreativas durante el último año? NO _____ SI _____ Cuáles y con qué frecuencia? _____

D. VIDA COMUNITARIA

25. LIDERAZGO: Usted o algún miembro de la familia, desempeño algún cargo en la comunidad durante el último año? NO _____ SI _____

| <u>NOMBRE</u> | <u>CARGO</u> | <u>INSTITUCION</u> |
|---------------|--------------|--------------------|
|---------------|--------------|--------------------|

26. TRABAJO VOLUNTARIO: Usted o algún miembro de la familia, desempeño algún trabajo durante el último año, para su Cooperativa o Comunidad? NO _____ SI _____

| <u>NOMBRE</u> | <u>TRABAJO VOLUNTARIO REALIZADO</u> | <u>TOTAL DIAS</u> |
|---------------|-------------------------------------|-------------------|
|---------------|-------------------------------------|-------------------|

27. ASISTENCIA A REUNIONES: Usted o algún miembro de la familia asistió a reuniones de la Cooperativa La Merced, de otras Cooperativas o Instituciones de la Comunidad, durante el último año? NO _____ SI _____

| <u>NOMBRE</u> | <u>TIPO DE REUNIONES E INSTITUCION</u> | <u>VECES/AÑO</u> |
|---------------|--|------------------|
|---------------|--|------------------|

28. PARTICIPACION GENERAL: Qué otras actividades hizo usted u otro miembro de la familia para el bien de las comunidades vecinas u otras instituciones de su comunidad, durante el último año?

E. COMENTARIOS GENERALES

29. BENEFICIOS RECIBIDOS: Cuáles han sido los beneficios recibidos de su Cooperativa o Comunidad?

30. DEFICIENCIAS: Qué problemas tuvo con su Cooperativa o Comunidad, durante el último año?

31. SUGERENCIAS: Qué sugerencias hace para corregir las deficiencias anteriormente mencionadas, o conseguir las mejoras que necesitan?

NOMBRE DEL ENCUESTADOR: _____

FECHA DE LA ENCUESTA: _____

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