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P R O G R E S S R E P O R T

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AGRICULTURAL COOPERATIVE DEVELOPMENT INTERNATIONAL

"A. C. D. I."

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1. SMALL FARMER LOAN PROGRAMS

CREDIT INSTITUTIONS

A. BANCO DE COCHABAMBA

I. WORK TARGET

The Banco de Cochabamba should continue to request funds from PL 400 thru the Secretaria de Desarrollo del Tropico Boliviano, SDTB, approve and disburse loans under the Chapare Integrated Rural Development Project.

II. ACCOMPLISHMENTS/PROGRESS

During the three months covered by this report the Banco de Cochabamba received:

\$us. 29.837.57 on February 25, 1986 Title I Funds
\$us.105.478.94 on February 26, 1986 Title I Funds

Total received during the trimester \$us.135.316.51.

The February 25, 1986 disbursement was made at \$b.1.847.000 to one US\$ and the February 26, 1986 disbursement was made at \$b.1.852.000 pesos to one US\$. Therefore, the amount disbursed to the Bank was \$b.250.457.000.000.- during the trimester in local currency.

As of March 31, 1986 the Bank had \$b.242.893.245.946.- capital plus interest of which they can utilize to make new loans.

III. PROBLEMS/DELAYS, AND

IV. RECOMMENDATIONS FOR CORRECTIVE ACTIONS IN RELATION TO PROJECT OBJECTIVES TO BE IMPLEMENTED DURING UPCOMING THREE MONTHS.

The fact that the Banco de Cochabamba is maintaining a relatively large amount of money in an account from which monies are drawn to make loans, creates a situation where these monies can decapitalize if Bolivia experiences a new round of hiper-inflation causing the parallel rate of money to vary from the official rate.

This will cause an economic loss to the United States Government and Chapare farmers, as the amount of monies available for loans held by the Banco de Cochabamba in pesos bolivianos will loose its purchasing power and USAID-PL 480 will be asked to increase the amounts of monies available to cover this loss. The probability of this happening is very real as we have experienced an identical situation during June of 1985.

In my progress report dated July 10, 1985 I pointed out that:

" On June 11, 1985 Banco de Cochabamba received \$b.9.700.000.000.-, which is equivalent to \$us. 129.333.- at the official rate of \$b.75.000.- to 1 US\$, which is also equivalent to \$us.28.529.- at the parallel rate of \$b.340.000.- to 1 US\$.

By virtue of the fact that the Bank has not loaned these funds as of June 30, 1985, the funds are now worth \$us.17.017.- given a parallel rate of \$b.570.000.- to 1 US\$. For this reason it is imperative that the Bank loan these funds as soon as possible to avoid the constant erosion of the value of these monies.

IV. Recommendations for corrective actions in relation to project objectives to be implemented during upcoming three months. (Progress Report dated July 10, 1985)

Banco de Cochabamba should hire a Chapare coordinator and begin making loans as soon as possible; in the meantime, they should take preventative majors to avoid the decapitalization of the funds received on June 11, 1985. These monies should be placed in an interest bearing account or converted to US Dollars and at future date be reconverted into pesos bolivianos on an as needed basis. Any interest earned should be added to the principal amount and be made available for farmer loans.

Based on PL 480 regulations the Bank has 90 days from June 11, 1985 to loan these funds, or until September 9, 1985. PL 480 should remind the Banco de Cochabamba of this regulation".

Unfortunately, as of this date, adequate controls have not been implemented to avoid this problem from occurring again. Another recommendation to avoid this problem would

be to change the disbursement system so that the Banco de Cochabamba could draw down on a line of credit for those loans that have been processed and are waiting to be closed. In this way the Bank would not have excess funds that could possibly and probably decapitalize. Another alternative would be for the Bank to convert loan funds into US Dollars and back into Pesos Bolivianos when needed for disbursement.

During this trimester, in March 13, 1986 it has come to my attention in a meeting with the Banco de Cochabamba and the Secretaria de Desarrollo del Tropico Boliviano that the Bank is using a "tecnico" (employee of Banco Agricola) to work up loans being made in the Chapare. The farmers are being charged for this service in a private agreement between the "tecnico" and the farmer. The Bank is not willing to hire additional staff at this time for economic reasons, and gave this reason for using the "tecnico". I stated that:

This practice of using a "tecnico" should be discontinued immediately.

The Bank should obtain a written opinion from PL 480 as to legality of this practice.

In my opinion the Bank is supposed to use their own staff and this is what the Bank was being paid for (flat commission and 4% interest).

I also suggested that if the Banco de Cochabamba has facts and figures showing that their operation in the Chapare is not economically sound, they should request financial assistance from PL 480 in the form of a grant to bring their operator into a sound position, but I reiterated that the Bank should not use outside "tecnicos" as this increases the transaction cost to the farmers and was not acceptable in my opinion.

I recommend that PL 480 make a determination that this practice of using "tecnicos" and charging commission ceases.

In view of the fact that the first loan was made by the Bank, under the Chapare Integrated Rural Development Project during October, 1985 I recommend that PL 480 and the Secretaria de Desarrollo del Tropico Boliviano form a joint evaluation team to visit the Banco de Cochabamba and Chapare farmers who have received loans to determine:

- If loan funds were used in accordance with loan agreements made between the Bank and the farmers.
- If the farmers are in compliance with USAID's Implementation Letter on not having more than two hectares of coca at the time of obtaining the loan and not planting additional coca after receiving the loan.
- Are the loans meeting the objectives of the Chapare Integrated Rural Development Project and are the farmers receiving adequate technical assistance.

The Banco de Cochabamba and PL 480 have still not resolved the recommendations made by Mario Candia, SDTB in November, 1985, five months ago, in relation to:

- The flat commission
- Loan guarantee flexibility
- Loan amount approvals
- And, other issues which are causing delays in the disbursement of funds to Chapare farmers.

I recommend that PL 480 devote more time to the major issues facing the credit aspects of the Chapare Integrated Rural Development Project. In most cases the Secretaria de Desarrollo del Tropico Boliviano has made sound recommendations to PL 480 and these recommendations should be reviewed on a case by case basis for implementation.

B. FEDERACION NACIONAL DE COOPERATIVAS DE AHORRO Y CREDITO,
FENACRE

In August, 1984 PL 480 in the Title III Program, Subproject 9, Implementation Letter No. 32 disbursed \$b.58.850.040.- (Approximately US\$ 7.000.-), to be used by FENACRE in a Beekeeping Project with Cooperativa Agropecuaria Multiactiva "Nueva Canaan" Ltda. The following is a break-down of these funds:

- To obtain 50 bee hives including individual equipment for 10 beekeepers plus 10% miscellaneous \$b.12.765.000.-. These funds are to be reimbursed to PL 480 Title III in a maximum of 24 months.
- For technical assistance in beekeeping \$b.1.322.040.-, which is a grant.
- A disbursement in favor of FENACRE in the amount of \$b.44.763.000.- also a grant, destined to cover the costs of administrative institutional organization of Cooperativa Agropecuaria Multiactiva "Nueva Canaan" Ltda. It is contemplated among other things, to contract an administrator and accountant to be in charge of the credit Program for 1 year. FENACRE in this activity will provide the amount of \$b.11.136.000.- bringing a total investment of this project to \$b. 69.9267.040.-.

As of this date, one year and eight months after the disbursement of these funds, FENACRE has not accomplished any of the objectives of this project with the Coopeativa "Nueva Canaan" Ltda., and has not formally or informally submitted an amendment to change the scope of work of this project.

Therefore, I recommend that:

- PL 480 request that FENACE return the approximately \$us.7.000.- to PL 480.
- PL 480 supervise this and other projects it has with FENACRE on a more timely basis.

2. COOPERATIVA DE SERVICIOS AGROPECUARIOS "SANTIAGO CARRASCO TROPICAL"

Relations have been established with Sr. Asterio Camacho, President of the Cooperativa de Servicios Agropecuarios "Santiago Carrasco Tropical". The cooperative has its office at 723 Aroma, telephone 27399, Cochabamba, Bolivia.

The cooperative obtained its Personeria Juridica approximately three months ago, Resolucion de Consejo 02942.

I recommend that SDTB and IBTA/Chapare contact the cooperative to discuss the possibility of giving the cooperative technical assistance and establishing a credit program.