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

BOLIVIA

PROJECT PAPER

PRIVATE AGRICULTURAL PRODUCER ORGANIZATIONS

AID/LAC/P-320

Project Number:511-0589

UNCLASSIFIED

<b>AGENCY FOR INTERNATIONAL DEVELOPMENT</b> <b>PROJECT DATA SHEET</b>		<b>1. TRANSACTION CODE</b> <input type="checkbox"/> A = Add <input type="checkbox"/> C = Change <input type="checkbox"/> D = Delete	<b>Amendment Number</b> _____	<b>DOCUMENT CODE</b> <b>3</b>
<b>2. COUNTRY/ENTITY</b> BOLIVIA		<b>3. PROJECT NUMBER</b> <input type="checkbox"/> 511-0589 <input type="checkbox"/>		
<b>4. BUREAU/OFFICE</b> L A C <input type="checkbox"/> 05		<b>5. PROJECT TITLE (maximum 40 characters)</b> <input type="checkbox"/> Private Agricultural Producer Organizations		

<b>6. PROJECT ASSISTANCE COMPLETION DATE (PACD)</b> MM DD YY <input type="checkbox"/> 1 <input type="checkbox"/> 2 <input type="checkbox"/> 3 <input type="checkbox"/> 1 <input type="checkbox"/> 9 <input type="checkbox"/> 0	<b>7. ESTIMATED DATE OF OBLIGATION</b> (Under "B" below, enter 1, 2, 3, or 4) A. Initial FY <input type="checkbox"/> 8 <input type="checkbox"/> 6 B. Quarter <input type="checkbox"/> 4 C. Final FY <input type="checkbox"/> 8 <input type="checkbox"/> 8
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**8. COSTS (\$000 OR EQUIVALENT \$1 = \$b2 million)**

A. FUNDING SOURCE	FIRST FY 86			LIFE OF PROJECT		
	B. FX	C. L/C	D. Total	E. FX	F. L/C	G. Total
<b>ADD Appropriated Total</b>						
(Grant)	( 550 )	( - )	( 550 )	( 4,200 )	( - )	( 4,200 )
(Loan)	( - )	( - )	( - )	( - )	( - )	( - )
<b>Other U.S.</b>						
1. Host Country PL-480	-	1,000	1,000	-	6,000	6,000
Other Donor(s) PAPOs	-	-	-	-	1,300	1,300
<b>TOTALS</b>	<b>550</b>	<b>1,000</b>	<b>1,550</b>	<b>4,200</b>	<b>7,300</b>	<b>11,500</b>

**9. SCHEDULE OF AID FUNDING (\$000)**

A. APPROPRIATION	B. PRIMARY PURPOSE CODE	C. PRIMARY TECH. CODE		D. OBLIGATIONS TO DATE		E. AMOUNT APPROVED THIS ACTION		F. LIFE OF PROJECT	
		1. Grant	2. Loan	1. Grant	2. Loan	1. Grant	2. Loan	1. Grant	2. Loan
(1) RD&N	402	031	-	-	-	4,200	-	4,200	-
(2)									
(3)									
(4)									
<b>TOTALS</b>				-	=	4,200	-	4,200	-

<b>10. SECONDARY TECHNICAL CODES (maximum 6 codes of 3 positions each)</b> 054      245	<b>11. SECONDARY PURPOSE CODE</b> _____
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**12. SPECIAL CONCERNS CODES (maximum 7 codes of 4 positions each)**

A. Code	BS	BR	COOP	ENV	TNC
B. Amount	200	200	400	100	200

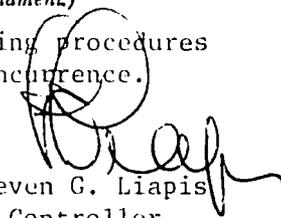
**13. PROJECT PURPOSE (maximum 480 characters)**

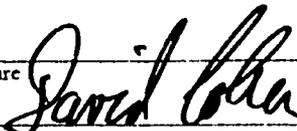
To strengthen and expand the capacity of private agricultural producer organizations to provide services to their members.

<b>14. SCHEDULED EVALUATIONS</b> Interim MM YY <input type="checkbox"/> 0 <input type="checkbox"/> 5 <input type="checkbox"/> 8 <input type="checkbox"/> 7      MM YY <input type="checkbox"/> 0 <input type="checkbox"/> 2 <input type="checkbox"/> 8 <input type="checkbox"/> 8      Final MM YY <input type="checkbox"/> 0 <input type="checkbox"/> 4 <input type="checkbox"/> 9 <input type="checkbox"/> 0	<b>15. SOURCE/ORIGIN OF GOODS AND SERVICES</b> <input checked="" type="checkbox"/> 000 <input type="checkbox"/> 941 <input checked="" type="checkbox"/> Local <input type="checkbox"/> Other (Specify) _____
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**16. AMENDMENTS/NATURE OF CHANGE PROPOSED (This is page 1 of a \_\_\_\_\_ page PP Amendment.)**

The USAID Controller has reviewed the financing procedures described herein and hereby indicates his concurrence.

  
 Steven G. Liapis  
 Controller

<b>17. APPROVED BY</b>	Signature 	<b>18. DATE DOCUMENT RECEIVED IN AID/W, OR FOR AID/W DOCUMENTS, DATE OF DISTRIBUTION</b> MM DD YY <input type="checkbox"/> 0 <input type="checkbox"/> 7 <input type="checkbox"/> 2 <input type="checkbox"/> 3 <input type="checkbox"/> 8
	Title David A. Cohen Director	

PROJECT AUTHORIZATION

Name of Country: BOLIVIA  
Name of Project: Private Agricultural Producer Organizations  
Number of Project: 511-0589

1. Pursuant to Part 1, Chapter 1, Section 103 of the Foreign Assistance Act of 1961, as amended, I hereby authorize the Private Agricultural Producer Organizations Project for Bolivia (the "Grantee") involving a planned obligation of not to exceed Four Million Two Hundred Thousand United States Dollars (US\$4,200,000) in grant funds ("Grant") over a four-year period from the date of authorization, subject to the availability of funds in accordance with the A.I.D./OYB allotment process, to help in financing the foreign exchange and local currency costs of the project. The planned life of project is four years from the date of initial obligation.

2. The project ("Project") will create a technical assistance, training, credit and organizational support mechanism to assist private agricultural producer organizations' members to increase agricultural income and marketable surpluses from their farms and ranches.

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

a. Source and Origin of Commodities, Nationality of Services

Except as A.I.D. may otherwise agree in writing, commodities financed by A.I.D. under the Project shall have their source and origin in Bolivia or the United States. With the exception of ocean shipping, the suppliers of commodities or services shall have as their place of nationality the United States or Bolivia, except as A.I.D. may otherwise agree in writing. Ocean freight financed by A.I.D. under the Project shall, except as A.I.D. may otherwise agree in writing, be carried only on flag vessels of the United States.

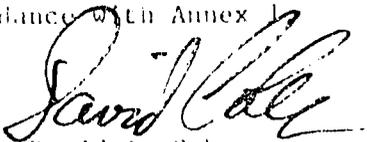
b. Conditions Precedent to Disbursement

- 1) Prior to the first disbursement under the Grant, or to the issuance by AID of documentation pursuant to which disbursements will be made, the Grantee will, except as the Parties may otherwise agree in writing, furnish to AID in form and substance satisfactory to AID a statement of the name of the person(s) holding or acting in the office of the Grantee and of any additional representatives, together with a specimen signature of each person specified in such statements.

2) Prior to the first disbursement under the Grant, or to the issuance by A.I.D. of documentation pursuant to which disbursements will be made, the Grantee through the PL-480 Secretariat will agree with A.I.D. by counter-signed Project Implementation Letter on the budget and the methods and scheduling of disbursements of PL-480 local currency resources for the first year of Project implementation, to be made available for the Project in accordance with Annex 1, except as A.I.D. may otherwise agree in writing.

c. Covenants

The Grantee covenants and agrees that it shall agree annually with A.I.D., through the Secretariat of PL-480, on a budget and the methods and scheduling of disbursements of PL-480 local currency resources, to be made available for the Project in accordance with Annex 1.



David A. Cohen  
Director

Date 7-23-86

Signing Authority: Cable State 162794  
PP Approval

Drafter:MPLeifert

Clearances:

PRD:TDJohnston	<u>[Signature]</u>	date:	_____
CONT:SGLiapis	<u>[Signature]</u>	date:	<u>7-18-86</u>
PD&I:RJAsselin	<u>[Signature]</u>	date:	<u>7-1</u>
DD:GAWachtenheim	<u>[Signature]</u>	date:	_____
GC/LAC:MRiedy	<u>[Signature]</u>	date:	<u>6/27/86</u>

## GLOSSARY

### LIST OF ACRONYMS/DEFINITIONS/TRANSLATIONS

ADN	The political party of ex-President Hugo Banzer.
Altiplano	High plains located mostly in the Bolivian departments of La Paz, Oruro and Potosí; also, "highlands".
Campesino	Peasant, small farmer
CAO	"Cámara Agropecuaria del Oriente" - The agricultural chamber of the Department of Santa Cruz.
Colonos	Settlers
CUMAT	"Capacidad de Uso Mayor de la Tierra" - Land Use Survey Bureau
DDC	Departmental Development Corporation
Departments	Bolivian states, such as Florida in the U.S.A.
EOPS	End of Project Status
F/X	Foreign Exchange (US\$)
GDP	Gross Domestic Product
GOB	Government of Bolivia
ICI	Intermediate Credit Institution
L/C	Local Currency (Bolivian Pesos)
LIDEMA	"Liga del Medio Ambiente" - Bolivian Environmental League
LOP	Life of Project
MNR	The political party of President Paz.
MPC	Ministry of Planning and Coordination
ODAP	Organizational Development Action Plan
ODS	Organizational Development Strategy
PAPO	Private Agricultural Producer Organization
PIO/T	Project Implementation Order/Technical Assistance
PP	Project Paper
PSC	Personal Services Contractor
RDP/DDC Project	USAID Rural Development Planning/Departmental Development Project (511-0471 Grant/511-T-064 and 511-W-065 Loan)
RFP	Request for Proposals
Sindicatos	Unions
TA	Technical Assistance
UCF	"Unidad Crediticia Financiera" denotes a financial institution created under the RDP/DDC project within the Departmental Development Corporations.
USAID/PD&I	USAID Office of Project Development and Implementation
USAID/PRD	USAID Office of Private Sector and Rural Development

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- J. LAC/DR Environmental Threshold Decision
- K. Commodity Review

(0032L)

## I. SUMMARY

### A. Problem and Rationale

The modernization of agricultural production and marketing in Bolivia requires an increasingly broader and more sophisticated set of support services, such as input supply, credit, marketing assistance and improved production techniques. For the average Bolivian farmer, in most regions of the country, these services are not available. Public sector institutions have not been able to supply the farmers' needs. Campesino unions and cooperatives have been evolving since agrarian reform measures were initiated in the early 1950's; but their evolution as efficient service entities has been slow, and to date, their successes only marginal. More recently established private producer organizations, created as primarily service organizations oriented to a single crop or categories of crops (including livestock), have enjoyed a greater degree of success.

This historical lack of capability of both public and private sector entities to provide the services necessary to stimulate agricultural development has increased in importance recently. Because of falling world prices for most of Bolivia's mineral and petroleum resources, the agricultural sector's contribution to GDP, employment generation and export earnings must increase in real terms to help reverse Bolivian economic and social decline. USAID/Bolivia has, therefore, developed this Project, which proposes the establishment of an assistance mechanism to private agricultural producer organizations (PAPOs), to help provide the services lacking for accelerated agricultural development. For Project purposes, the term "PAPO" is used to define an organization established by farmers or ranchers to provide services to members in support of the production and marketing of specified agricultural commodities. This includes producer organizations oriented to specific crops, regional agricultural chambers, and cooperatives. Also for Project purposes, "agricultural commodities" include crop, livestock, fishing and forestry goods.

### C. Goal and Purpose

The goal of the Project is to increase agricultural income and marketable surpluses, including exports, from Bolivian farms and ranches. The Project purpose is to strengthen and expand the capacity of private agricultural producer organizations to provide services to their members. The Project design recognizes that these services must be provided on a fee basis sufficient to ensure the long-term sustainability of the organizations providing them.

To help accomplish the Project purpose, Project resources will be used to: 1) Define the most appropriate roles for the public institutions, private firms and PAPOs for the provision of agricultural development services and encourage them to assume these roles so that all three may contribute more efficiently, with reduced conflict and more complete coverage, to supplying needs of agricultural producers; 2) contract with local private sector technical assistance firms to help resolve PAPO organizational and member problems and stimulate the growth of these firms' capabilities to provide needed assistance; 3) improve the capacity of PAPOs to influence Bolivian

Government agriculture related policy and otherwise represent their own interests; 4) increase communication and information exchange among PAPOs and the rest of the agricultural sector; 5) stimulate private agricultural firms, such as input suppliers and marketing organizations, to improve and increase services to PAPOs; 6) increase awareness and use of sound environmental practices by PAPO members; and 7) increase integration between campesino dominated and non-campesino dominated groups with common goals and purposes to improve the production and marketing of specific crops through economies of scale and coordinated efforts.

#### D. Project Activities

The Project will concentrate on providing inputs in three general areas: technical assistance, training, and direct small grants or access to financial support in the form of local currency credit. These inputs will be used to improve PAPO capabilities and services to members in such areas as organizational structuring and administration, commodity production, farm management, marketing, and the use of credit. A technical assistance team will be competitively selected to analyze individual PAPOs in depth, select PAPOs for assistance, design individual PAPO assistance programs and coordinate the provision of Project assistance. Up to ten PAPOs will be selected to receive across-the-board, longer term assistance (Primary Group), while up to twenty others will receive assistance in one or two selected areas (Secondary Group).

PAPO assistance requests will be evaluated in accordance with social, technical and financial criteria established in the PP. Disciplines in which assistance will be offered will be those which can improve PAPO organizational and service delivery capabilities in the areas identified above as well as others subsequently approved in conformance with the process design nature of project implementation.

Short-term training will be available for leaders, members and administrative/technical personnel from the PAPOs. Training will include technical demonstrations on the farms of PAPO members, classroom workshops and seminars, and field visits to Bolivian, neighboring country or U.S. locations.

Financial resources will be made available to PAPOs through small operational support grants and through PAPOs to members using PL-480 financial credits utilizing established intermediate credit institution (ICI) refinancing lines. A limit of \$25,000 per organization will be available for the support grants which are intended for fixed cost, non-productive expenditures to improve PAPO operations. Up to \$5,000,000 from PL-480 peso generations, set aside by the GOB for Project investment credit needs, will be loaned through existing regional lending institutions to PAPOs for productive income generating activities related to membership service delivery.

Additional Project resources will be employed in sponsoring environmental activities, producing a newsletter, conducting policy and commodity studies, providing for Project administrative support, hiring a Project Coordinator and investigating and outlining how PAPO development may be continued after Project activities come to an end.

E. Implementation Mechanism

The Project Agreement will be signed with the Ministry of Planning and Coordination of the Government of Bolivia. Implementation of the Project will be facilitated through mechanisms established under USAID's Rural Development Planning/Departmental Development Corporations Project - RDP/DDC (511-0471) and its proposed follow-on, the Market Town Capital Formation Project (511-0573). While there will be no GOB implementation counterpart agency, there will be a common GOB representative who will be able to coordinate activities of these related development efforts. Also, the credit evaluation and approval systems already established under the RDP/DDC Project, the PL-480 Secretariat and USAID will be used by the PAPO Project.

The PAPO Project's long-term and short-term implementation staff will be provided by a U.S. organization (private firm, PVO, university or other institution selected under formal competitive procedures). The Project will be backstopped in USAID by a personal services contractor (PSC) hired for this purpose. Additionally, approximately 300 person/months of short-term consultancies are programmed.

F. Relationship to AID Strategy and Program

The Project is consistent with USAID/Bolivia country strategy to foster economic stabilization and promote growth with equity to improve the quality of life of the Bolivian people. It directly contributes to meeting USAID/Bolivia's objectives contained in the 1986/87 Action Plan. It also is in accord with AID Policy Determinations on food and agriculture, the private sector, credit and institutional development.

G. Summary Financial Plan

The Project will have a duration of four years from the date of the first partial obligation of the \$4 million AID contribution. This will be complemented by a GOB contribution of the equivalent of \$6 million in Bolivian pesos from the PL-480, Title III program and an estimated minimum PAPO participation of \$1,300,000.

Figure 1  
Summary Project Budget (US\$000s)

	AID Grant	PAPOs	GOB/PL-480	TOTAL
Technical Assistance	2,693	41	615	3,349
Training	511	29	265	805
Operational Support	572	-	120	692
Project Support	291	-	-	291
Credit (investments in Service Related Activities)	-	1,230*	5,000	6,230
Contingencies	133	-	-	133
Total	<u>4,200</u>	<u>1,300</u>	<u>6,000</u>	<u>11,500</u>
	=====	=====	=====	=====

\* PAPOs will contribute approximately 20% of the costs of their investments financed under the Project in accordance with established ICI procedures.

H. Project Approval Factors

The \$3 million AID grant PID was approved on February 2, 1986.\* It and the PP conform to AID/W cabled (85 State 250198) recommendations on project design, i.e. using a non-governmental implementing mechanism, establishing a fee basis for service provision, and employing PAPO selection criteria which focus the use of project resources to obtain the highest potential impact and improve PAPO chances of reaching self-sufficiency. State 162794 (Annex A) provides for field approval of the PP and subsequent project authorization by the USAID Mission Director.

It is the Mission's judgement that the Project has a sound financial and economic basis, proposes appropriate technical and administrative strategies, and will not encounter social or environmental difficulties which can inhibit successful implementation.

I. Project Design Team

The USAID/Bolivia Project Design Team was composed of:

Jorge Calvo	USAID/PRD
David L. Jessee	USAID/PRD
T. David Johnston	Chief, USAID/PRD
M. Peter Leifert	USAID/PD&I

Consultant assistance in preparation of the PP was provided by Checchi & Co.- Consultant team members were:

Donald R. Jackson	Team Leader
Theodore Cook	Agricultural Economist
Ivo Kraljevic	Social Anthropologist

Additional backstopping was provided by:

Howard Clark	AID Andean Regional Environmental Advisor
Annette Adams	AID/RLA - Panama
Jaime Vizcarra	USAID/PD&I - Costing Specialist

The Project Paper was reviewed by the following USAID/Bolivia officials:

David A. Cohen	Director
George A. Wachtenheim	Deputy Director
Robert J. Asselin, Jr.	Chief, PD&I
Steven G. Liapis	Controller
Anthony A. Funicello	Program Officer

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\* It was determined during PP detailed cost estimation that \$3 million and 3 years would be insufficient for implementing a project which would meet the objectives described herein. Accordingly, the AID contribution was raised to \$4.2 million and the implementation period was increased to 4 years to ensure adequate implementation funding and time, even while maximizing Bolivian peso participation as described in the PP cost estimates. (Section III and Annex H).

## II. PROJECT RATIONALE AND DESCRIPTION

### A. Country Setting

#### 1. The Political Setting

With the inauguration of Hernan Siles Zuazo as president in 1982, Bolivia returned to a constitutional democratic government after nearly eighteen years of almost uninterrupted military rule. President Siles' task was not an easy one. The country had serious economic problems which required prompt, decisive, and difficult economic and political decisions. Unfortunately, the Siles Government was not able to make these decisions, and the economy entered a two and one half year tailspin in which GDP fell by approximately 14% and inflation soared to record heights. As the economic situation deteriorated, strikes and other types of civic disruptions became commonplace. Siles' ability to govern was questioned, and the situation became clearly unmanageable. Finally, in December 1984, President Siles made the decision to call national and municipal elections for the summer of 1985, one year earlier than originally planned. On August 6, 1985, Victor Paz Estenssoro was elected President.

Initially, it looked as though President Paz might have serious difficulty with the congress, because his party--MNR--was not a majority. This problem was resolved on October 16, when General Hugo Banzer Suarez (former President of Bolivia and head of the nation's second largest political party--the ADN--signed an historic "Pact For Democracy" with President Paz. This pact stipulated that the ADN and MNR parties, which together held a significant majority in Congress, would cooperate in areas of mutual interest (most notably, economic recovery and coca control) for the benefit of the country.

#### 2. The Economic Crisis

The economic crisis that Victor Paz Estenssoro inherited in 1985 had been in progress for nearly ten years. The economy had been in a severe recession since 1982 and the situation was worsening. The following economic indicators for 1984 give one an idea of the severity of the situation: production in the mining and manufacturing sectors declined by 16.1% and 15.3%, respectively; export earnings fell by 23.6%; the nation's debt service ratio as a proportion of exports climbed to 46.3%; and the consolidated fiscal deficit of the GOB and its state-owned enterprises rose to an estimated 28.6% of GDP. Hyperinflation was causing havoc in the economy. The situation faced by the new government called for drastic action to restore public confidence and bring about economic stabilization and recovery.

The crisis was also severe in the agricultural sector and was aggravated by drought and flood disasters in 1983 which further reduced food production. The most serious elements of the crisis for the agriculture sector were as follows: the price controls which the Siles Government placed on virtually all agricultural products; the scarcity of foreign exchange which

reduced the availability of agricultural inputs, and the foreign exchange controls which required that all export earnings be deposited in the Central Bank at the official exchange rate which was normally less than half the value of the dollar on the parallel market. The effect of these measures was to reduce the land area devoted to agriculture, and the use of high yielding technologies which, in turn, resulted in limiting production. Other effects of the crisis included scarcities of virtually all products in local markets, and an increase in illegal exports of agricultural products to surrounding countries.

### 3. Economic Recovery Program

The Paz Government's economic recovery program was formally introduced on August 29, 1985 with the announcement of Decree 21060. This Decree contained a number of sweeping economic recovery measures which were designed to halt hyperinflation, provide free-market incentives for the reactivation of domestic production, eliminate price distortions in the economy, restructure state enterprises, and provide an economic basis which would allow the President and his advisors to govern the country. Several of the most important measures in Decree 21060 were as follows: the peso was devaluated by 93.3% and a flexible exchange rate mechanism was introduced which would allow the peso to be adjusted at least twice weekly in accordance with market forces; price controls were eliminated for all agricultural products; public sector wages were frozen; existing controls on private sector wages were eliminated; bank interest rate controls were abolished; and provisions were made for the decentralization of Bolivia's main state enterprises (COMIBOL, the state mining corporation, YPFB, the state petroleum company, and CBF, the state conglomerate).

Decree 21060 is important not only for the actual changes which it introduced, but also because it was the first tangible evidence of the Paz government's new private sector development philosophy. This philosophy was in direct contrast to the statist development model which had been followed by Bolivian governments during the last thirty years and which had finally become discredited during Siles term in office.

### 4. Present Economic Status

The GOB's economic recovery program has begun to work, but much still remains to be done. One of the most serious current problems continues to be a shortage of foreign exchange which is due, in part, to the collapse of international tin markets in November 1985 which resulted in a 50% reduction in tin prices virtually overnight. Sharp declines in hydrocarbon prices and other mineral prices have also hurt the government's economic recovery program. Thousands of miners have been forced out of work by the collapse of the tin market and low mineral prices. One important effect which lowered mineral prices and hydrocarbon prices have had on the country has been an attitude change on the part of many leaders. In the past, little attention was given to the agricultural sector, because mining and petroleum activities were considered to be much more important. Now, however, it has become clear

that the GOB must put increased emphasis on the agricultural sector as a source of employment and export earnings. The GOB's economic program has also been hurt by early 1986 flooding near Lake Titicaca which has destroyed crops, and left hundreds of people homeless.

In spite of these setbacks, the economic situation has improved dramatically during the last nine months. Inflation has been reduced from an annual rate of 23,000% through September 1985 to an annualized rate of approximately 7% in May of this year. The GOB has negotiated a standby agreement with the IMF which will be signed in June, and donor response to the new government's economic program has been very positive. The economic recovery program has been successful in relieving most of the policy constraints which restricted production in the past, and the private sector has responded with limited production increases. The agricultural sector, in particular, has responded very favorably to the new policies contained in the economic recovery program. Agriculturalists appear eager to expand production further as soon as mechanisms can be developed to provide farmers with increased credit, inputs, marketing systems and agricultural support services, which are now the principal constraints limiting increased production.

##### 5. Diversity and Importance of the Agricultural Sector

Bolivia's agricultural sector is characterized by three markedly distinct ecological divisions: the altiplano, the intermountain valleys, and the tropical plains. These areas offer producers a vast array of climate/land combinations which are appropriate for production of any crop Bolivia might want to produce. As a result of this diversity, Bolivia is self-sufficient in all the major crops it consumes except wheat. The principal crops of the altiplano include traditionally cultivated foodstuffs such as potatoes, barley, quinoa, broad beans, and some wheat. Sheep, goats and camelids are kept as livestock. Most land is farmed by individual campesinos on small scale plots (minifundia), although some communal farming is still practiced. The altiplano includes large portions of the departments of La Paz, Oruro, and Potosi.

The intermountain valleys are at a lower elevation where crops, such as corn, wheat, potatoes and vegetables, predominate. Here the land tenure patterns include minifundia to medium sized farms. Significant intermountain valleys can be found in the department of Cochabamba, Chuquisaca, Tarija and Santa Cruz.

The tropical plains are located principally in the department of Santa Cruz, Tarija, Beni and Pando. These areas represent Bolivia's agricultural frontier. Large portions of Beni and Pando are relatively uninhabited and contain isolated lands where cattle ranching predominates. Santa Cruz and Tarija lowlands are relatively more accessible and have become mixed cattle and agricultural areas. The agricultural land of Santa Cruz and Tarija is generally flat with soils of varying fertility. Here there is cultivation of crops, such as cotton, sugar cane, soybeans, corn, rice, fruits and vegetables, as well as poultry and dairy production. Farm size ranges from extensive large-scale farms to small-scale plots (normally related to colonization efforts).

The agricultural sector has long been Bolivia's most important sector in terms of employment. It is estimated that approximately 47% of all Bolivians are employed in the agricultural sector. The next most important sector after agriculture in terms of employment is the private and public service sector which is estimated to employ approximately 19% of the economically active population.

Given the existing long term weakness in international mineral markets, Bolivia will need to turn more and more to the agricultural sector for production to feed an increasingly urban population, and for exports to provide additional foreign exchange. The agricultural sector can provide additional production for domestic and foreign markets, because Bolivia has large areas that are either not used for agriculture or else are not farmed or ranched very extensively. The potential exists for large production increases, but these increases will not be forthcoming unless Bolivian ranchers and farmers begin to use more productive improved technologies which will allow them to compete on equal terms with farmers and ranchers in neighboring countries.

## B. Project Setting

### 1. Agricultural Underinvestment

Bolivian agriculture has suffered for years from underinvestment. This situation has been caused by GOB policies in the past which have imposed de facto taxes on the agricultural sector in the form of agricultural price controls that provided subsidies for urban consumers and miners at the expenses of farmers. The agricultural sector was also hurt by import taxes on agricultural machinery and inputs, by export taxes on agricultural production, and by foreign exchange restrictions which made it difficult at times to get foreign exchange for importing agricultural inputs. In response to a set of government policies which penalized and restricted the farmer at every turn, many farmers responded by employing traditional production technologies with low yields, and minimal use of agricultural machinery and chemical inputs.

### 2. Public Sector Agricultural Support Institutions

In past years, the GOB has attempted to use public sector institutions to provide agricultural support services. The two most important institutions involved in this effort were the Bolivian Agricultural Bank (BAB), and the Ministry of and Agriculture Campesino Affairs (MACA). Both of these institutions long have suffered from political appointees, political interventions, corruption, a lack of operating capital, poorly trained personnel, large numbers of employees in the central office, a relatively small number of employees in the field, and other problems similar to those which are characteristic of many central government institutions in developing nations. Given these problems, neither institution has been able to provide effective agricultural support services on a continuing basis in spite of a tremendous investment in these institutions by international development agencies.

Given the inability of the BAB and MACA to provide support services to the agricultural sector, in recent years, the Departmental Development Corporations (DDCs) have begun to provide some agricultural services to farmers in their departments. The DDC's success in these endeavors has been mixed. At times DDCs have carried out very effective regional programs, but these successes have normally been short lived. Like the BAB and MACA, the DDCs are also strongly influenced by political appointments and periodic turnovers in staff which have made it difficult for them to carry out a continuing program of providing agricultural support services.

### 3. Agricultural Marketing Systems

The marketing of most agricultural commodities in Bolivia is chaotic and disorganized. Market information systems and quality standards are nonexistent. This results in frequent market gluts and shortages, as well as high post harvest losses. Since there is no established system for providing farmers with timely price, quantity and quality information, farmers are normally forced to make planting decisions based only on their personal experiences of the past few years. This information is normally incomplete, always out of date, and may be incorrect if their local market has not been closely connected to the major regional markets in La Paz, Cochabamba and Santa Cruz.

Further frustrating farmers is the fact that many commodities are sold through monopsonistic markets (one or few buyers). The barley market is dominated by brewery purchases for conversion into malt. Liquid milk is sold principally to public sector-owned processing facilities (PIL) at prices determined by the costs of reconstituting powdered milk donated by European countries. Wheat and grapes are sold to a reduced number of mills and wineries which are believed to act in concert when establishing prices. Sugar cane producers also face a consolidated front in terms of their market. In this case, the National Sugar Board sets the price its mills will pay for cane as well as the quantities it will receive. These prices are then followed by the few remaining private sugar mills.

Of equal significance to the problem of controlled markets is the generalized lack of marketing infrastructure in the country. A scarcity of proper storage capacity for most crops further exacerbates market gluts and shortages. For example, rice is often sold to the National Rice Company (ENA) at predetermined prices due to a scarcity of storage facilities in the private sector.

Two other important marketing constraints are the lack of an adequate transportation infrastructure and the nonexistence of modern wholesale markets. Of particular importance is the lack (or poor condition) of many farm to market roads which precludes the production of many perishable crops in most regions. Bolivia's rugged terrain and poor roads increases transportation costs of many commodities to such an extent that farm gate prices are often too low to provide positive incentives for farmers in areas that are not served by major highways.

Currently, Bolivia's major agricultural exports are sugar and coffee. Both face a controlled international market which is subject to frequent gluts and eroding prices. The stimulation of other export crops will depend on lowered unit production costs through adoption of improved production technologies, exploitation of economies of scale, and being able to produce to the health and quality standards of the international market. Only once the domestic market is supplied with commodities of a quality and price commensurate with world market conditions can Bolivia hope to realize significant increases in its agricultural exports.

#### 4. Agro-industrial Potential

Currently, the agro-industrial sector is small and generally directed towards primary commodity processing in selected crops (i.e., cane into sugar, wheat into flour, and soybeans into oil). Little further processing is performed, apparently due to the availability of relatively cheap imports, a relatively small domestic market, and a lack of response to changing demand which keeps production geared to historical consumer tastes and preferences. For example, as Bolivia becomes more urban and exposed to foreign cultural influences through advances in communications, the market share of unprocessed food stuffs is declining compared with processed foods. Surrounding countries (e.g. Brazil, Argentina and Chile) have well developed agro-industrial sectors which have rapidly established substantial market shares in Bolivia, a phenomenon which is expected to grow in years to come. Meanwhile, Bolivian agro-industries have been slow to respond to such changes. Reasons for this lack of responsiveness to changing consumer tastes and preferences include: the relatively small size of the Bolivian market, oligopolistic attitudes of most agro-industries, Bolivia's heretofore unstable investment climate, and past government price policies which favored consumers at the expense of producers and agro-industries.

#### C. Problem Statement

##### 1. Lack of Agricultural Support Services

The government's new economic program has provided farmers and ranchers with positive production incentives for the first time in years. Producers now want to expand production, but have been constrained in their ability to increase production, because they do not have access to a reliable supply of agricultural support services. Specifically, farmers have only limited and inadequate access to credit, improved seeds, agricultural chemicals, agricultural machinery, and technical assistance. Unless these constraints are alleviated, farmers will continue to be frustrated in their intention to increase the quantity and quality of agricultural production.

A number of religious groups, PVOs and a few small bilateral development institutions are working in specific regions to alleviate the constraints, but their efforts are usually targeted at specific small groups. MACA and the BAB are currently incapable of mounting any significant service delivery programs, and are not likely to improve their service delivery

capabilities until they succeed in carrying out comprehensive reorganization and decentralization programs which will require at least a year to implement. Consequently, at this time, no significant programs or institutions exist for providing farmers and ranchers with effective agricultural support services.

The number of private firms providing agricultural inputs and services is very limited in most regions of the country. While some private sector channels are being created through the growth and development of agro-industries, such entities are not adequate providers of agricultural services or market outlets for farmers, and are not likely to become significant service providers to the agricultural sector in the medium term.

## 2. Alternative Service Delivery Organizations

At present, there are three types of farmer organizations in Bolivia which are potential candidates to provide farmers with agricultural support services: campesino unions, cooperatives, and producer associations. The unions and cooperatives date from the 1952 agrarian revolution, are geographically organized, and include primarily campesino farmers. The unions are primarily political groups which were organized to make known campesino demands. They were involved with implementation of the land reform at that time and have been involved with political issues ever since. At times, unions have become involved in programs designed to provide services to their members, but these efforts have been only marginally successful. In recent years, the unions' main activities have revolved around lobbying for higher prices or securing other concessions from the government.

The cooperative movement, which also dates from the agrarian reform period, was organized initially along social, rather than economic, lines. The cooperative's function was usually to provide a framework for farmers to work together to achieve common ends, and was, unfortunately, often viewed as a mechanism for channeling development assistance to cooperative members rather than as a self-sufficient institution designed to increase members' production and incomes by exploiting purchasing and marketing economies of scale. With a few exceptions, agricultural cooperatives have generally not been able to provide services on a sustained basis once outside assistance has been withdrawn.

Producer associations were originally organized as groups of producers of the same commodity. The first successful associations were formed in the Santa Cruz area for the purpose of lobbying with the government to secure higher prices, credit, and other concessions. Their members were mainly urban based farmers with larger farms. Eventually, several individual associations decided to increase their lobbying power by establishing a federation of associations which was named the Eastern Agricultural Chamber (CAO). The CAO continued to lobby with the government on behalf of its member associations and had considerable success in lobbying with the Central Bank for credit. The CAO then began to work with member associations to obtain inputs for farmer members and to negotiate sales arrangements with local

agro-industries. These successes caught the attention of farmers in other areas of the country and soon other producer associations were formed. The types of associations formed in other areas of the country reflected the character and needs of agriculturalists in these areas and were not always copies of the Santa Cruz model. However, one essential characteristic of the first producer organizations has been retained as these organizations have spread to other regions. This is the concept that farmers are willing to pay for services which the organization provides.

### 3. Private Agricultural Producer Organizations (PAPOs)

During preparation of this paper, one of the questions which needed to be resolved was the question of which groups should be selected to participate in the Project. After the consultant team had visited over 30 producer associations, unions, and cooperatives in different areas of the country, it was decided that eligibility should be left open to any producer association, cooperative, union, or other group which is established by farmers or ranchers to provide services to members in support of the production and marketing of agricultural commodities. For Project purposes it was further decided that "agricultural commodities" would include farm, ranch, fishing and forestry goods. Since these groups were not all cooperatives or unions or producer associations, the term "Private Agricultural Producer Organizations (PAPOs)" was coined to mean any group (i.e. cooperative, union or producer association) which would like to receive, and would benefit from, assistance from this project, and which would meet the definitional requirements and other criteria established herein.

#### D. Project Rationale

##### 1. USAID's Agriculture Sector Goal and Strategy

USAID's Agriculture Sector Goal is to achieve increased agricultural yields and agricultural production on small, medium, and large scale farms and ranches.

USAID's Agriculture Sector Strategy is to work principally with private sector groups to alleviate the most serious constraints limiting increased agricultural production. To carry out this strategy, it will be necessary to tailor assistance to the needs of individual groups to ensure that the assistance provided addresses the most critical constraints faced by each group. Information to date suggests that the most serious (and common) types of constraints limiting increased agricultural production are as follows: limited access to agricultural crop production credit, non-availability of longer term agricultural investment loans, extremely limited access to research and extension services, lack of information regarding market prices, quantities, and quality standards, insufficient storage facilities, limited individual farmer bargaining power with monopsonistic agroindustries, and poorly developed input supply channels.

## 2. The New Private Sector Mentality

The Government's new economic program is based on support to, and development of, the private sector. The old statist mentality has been largely discarded, and the Government wishes to dismantle the inefficient and costly system of public service delivery programs that had been used in the past. Present plans for the restructuring of the Ministry of Agriculture and Campesino Affairs (MACA) are based upon close cooperation between MACA and the Regional Agricultural Chambers (which are federations of PAPOs). Current plans are for MACA to assist PAPOs as they carry out agricultural service delivery projects.

## 3. Need for Agricultural Support Services

Many PAPOs were formed in the past primarily as lobbying organizations which tried to convince government authorities to increase official prices of agricultural products. Now that the government has abolished official prices for all agricultural products, this constraint has been removed. Unfortunately, farmers' ability to increase production is still very limited due to the fact that, on a national scale, no one is providing agricultural support services. Several of the stronger producer associations have begun in a limited way to provide some services, but their service delivery efforts have been hampered by inexperience, insufficient technical knowledge, and very limited access to loan capital which is needed to implement service delivery programs. Until a mechanism is found to provide farmers with the basic agricultural support services required by a modern, productive agricultural sector, farmers will continue to be severely constrained in their ability to significantly increase agricultural production.

## 4. PAPOs as Service Delivery Agents

The experiences of several of the stronger Santa Cruz based producer organizations has shown that PAPOs can be effective service providers. However, even these stronger PAPOs are relatively weak institutions. Many of them are still in the process of becoming providers of services whose costs can be fully covered by member fees. Should the Santa Cruz and other regions' organizations fail in evolving and making this transition, it would be a serious blow to growth in the agricultural sector and the economy as a whole. On the other hand, should they make the transition successfully, they will serve as models to be used for replication and as sources of encouragement and technical assistance to other organizations with similar goals.

USAID believes that it is important to establish an assistance mechanism which will provide training, technical assistance, direct small grants, and access to local currency credit for agricultural development through existing private sector PAPOs. This thrust in supporting private activities rather than public ones is consistent with the current GOB policies of decentralization and movement away from government control and sponsorship. Given that the Government has not been able to provide effective

service delivery programs to farmers, and considering that the current GOB philosophy precludes any significant Government financed service delivery programs in the future, PAPOs represent the best means of providing farmers with the types of efficient, cost effective agricultural support service programs which are needed if farmers are to increase their productivity, production and incomes in the immediate future.

3. Complementarity with Action Plan Objectives, and Ongoing and Proposed New Projects

The Private Agricultural Producer Organizations (PAPO) Project contributes directly to the following 1986/87 USAID/Bolivia Action Plan objectives: to expand the role of the private sector in the economy, to increase agricultural and agro-industrial productivity, to expand exports in areas in which Bolivia has a comparative advantage, and to improve Bolivia's policy-making, managerial and technical resource base.

The Project also compliments both ongoing and proposed new projects. USAID is already working with producer organizations in its Disaster Recovery Project, Rural Development Planning/Departmental Development Corporations Project, the PL-480 Title I and III Programs and the Chapare Regional Development Project. Inputs, credit and production assistance, however, have not always been assimilated at the level expected in these projects because of producer organization inertia and managerial and organizational problems. Along with USAID's related new project, Market Towns Capital Formation, this project will improve producers' chances of obtaining assistance by giving their organizations the capabilities to take advantage of assistance opportunities.

E. Project Description

1. Goal

The goal of this Project is to increase income on farms and ranches through increased yields, expanded production, and increased marketable surplus, including exports.

2. Purpose and End of Project Status

The purpose of this Project is to strengthen and expand the capacity of private agricultural producer organizations to provide services to members. To facilitate accomplishment of this purpose, efforts will be made to:

- define public institutions', private firms' and PAPOs' most appropriate roles for the provision of agricultural development services and encourage them to assume these roles (to facilitate contributions by each which will be more efficient, less conflictive and more complete in covering producer needs);
- Contract with local consulting/technical assistance firms to help resolve PAPO organizational and member problems and stimulate the growth of these firms' capabilities to provide needed assistance to improve private consulting firm/PAPO interaction for long run, post-Project benefits;
- improve the capacity of PAPOs to lobby in their own behalf;
- increase communication and information exchange between and among the PAPOs and the rest of the agricultural sector;
- increase the integration between campesino and non-campesino groups through association for their common economic good (to improve the production and marketing of specific crops through economies of scale and coordinated efforts);
- stimulate private agricultural firms, such as input suppliers and marketing organizations, to improve and increase services to the PAPOs, and,
- increase the awareness and use of sound environmental practices.

The Project is designed to achieve these changes seen as favorable to agricultural sector producers through institution building assistance for approximately 30 selected PAPOs. The PAPOs assisted will be those which can demonstrate the potential to become effective service organizations for the benefit of their members and models for replication by other organizations. Specifically, at the end of the Project, the majority of assisted PAPOs should be successfully performing their member service roles and capable of continuing to do so without further Project assistance. These PAPOs should be active in different regions of Bolivia, concerned with a variety of crops and organized along different lines so that there are various models which may be emulated by other agricultural producer associations, cooperatives and unions.

In addition, at the end of the Project, there should be:

- Increased production and income from Project assisted PAPO members' farms and ranches;
- Project assisted PAPO memberships fully supporting the provision of PAPO services through fee payments or production discounts;
- a clearer understanding and implementation of the proper roles of PAPOs, private firms and GOB entities in providing services to producers;

- PAPOs with increased influence over policy issues affecting them,
- Regular issuance of an agricultural organization newsletter perceived as useful by PAPO leadership,
- Increased cooperation and service delivery between private sector agricultural firms and the PAPOs,
- Increased demand for, and use of, environmental information, and
- Plans formulated, and initial implementation actions possibly taken, for a national agricultural chamber and/or agricultural advisory service, which may build on the Project infrastructure and trained Bolivian personnel of the Project implementation team, to continue to facilitate the growth and improvement of non-subsidized service oriented producer groups after Project close-out.

### 3. Overview of the Project

The Project will concentrate on improving productivity and increasing the production of Bolivia's economically most important agricultural commodities. It recognizes that, currently, market demand generated production increases for these commodities are constrained by a very limited supply of agricultural support services. It also recognizes that political as well as economic factors have impeded effective implementation of public sector service delivery programs in the past, and that to date, private firm efforts to provide these services have been insufficient.

However, USAID experiences with the Bolivian Tropical Agriculture Investigation Center (CIAT), regional seed councils established under USAID's Agriculture Sector II Project and various other PAPO type producer organizations (e.g. CAO, ANAPO, FEGASACRUZ and others -- see Annex F for definitions and details of each organization) has shown that PAPOs have the capabilities to provide services effectively, and that these capabilities could be enhanced through a program of:

- technical assistance in organization and management techniques,
- technical assistance for designing or facilitating specific service delivery programs,
- small strengthening grants,
- access to loans that will allow PAPOs to implement service delivery plans,
- training for PAPO staff and farmer members, and
- study and communication of commodity and policy factors affecting PAPOs and their members' production and product marketing.

The Project design is based on the belief that PAPO service delivery programs must be self supporting through member fees and cannot require continual subsidies. They must, therefore, be more efficient than past public sector programs and more accurately targeted on members' needs.

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A partial list of these needs which the Project will help fill, as expressed to the Project design team by potential client PAPOs, includes: production credit; marketing technical assistance; organizational, administrative and management technical assistance and training; investment capital; technical assistance for crop and animal production systems; and installation or improvement of computer facilities.

#### 4. Implementation Mechanism

USAID will provide a grant to the GOB through its Ministry of Planning and Coordination (MPC) to finance Project implementation activities. This will be complemented by PL-480 local currency and PAPO in-kind counterpart contributions.

An international technical assistance team will be competitively selected to implement the Project. The team will act in a quasi-independent manner in that its only GOB counterpart will be the MPC Project Coordinator who will participate in all major implementation decisions and evaluations, but who will not be heavily involved in day to day operations. The team's work will also be overseen by the USAID Assistant Project Manager, Project Manager, and Project Committee.

The technical assistance team will design and guide all project assistance activities, including: organizational/management assistance, service delivery assistance, assistance in the development of small strengthening grants, service delivery investment projects; training; etc.

Greater detail on the rationale for choosing, and role of, the GOB Project Coordinator can be found in the PP Administrative Analysis. Details concerning the technical assistance team are given later in the Project Description Inputs section.

#### 5. Implementation Strategy

The Project first provides for the contracting of a Project Coordinator (Assistant Project Manager) to work in USAID and of the technical assistance team which will establish an office to work directly with target organizations. Next, the implementation strategy is structured to include the following five phases:

Phase 1: The pre-qualification of PAPOs, to determine which qualify for Project assistance and which will help the Project reach its objectives, using criteria established in the Project Paper.

Phase 2: The selection of PAPOs with which the Project will work and the determination of the type(s) of assistance the Project will supply to each, including technical assistance, training, environmental education, commodity and policy study, newsletter information, operational support grants and credit facilitation.

Phase 3: The preparation and implementation of PAPO-specific assistance plans which will include training and technical assistance for PAPO leadership and members, small grants for PAPO strengthening, and/or facilitation of access to PL-480 credits for investments directly leading to increases in PAPO members' production and/or income.

Phase 4: Continued PAPO selection and assistance plan design, implementation and monitoring, plus full implementation of studies, newsletter and environmental education programs.

Phase 5: The study and formulation of plans for future, post-project arrangements for assistance to PAPOs which may capitalize on the existence of Project personnel, experience and infrastructure. The study will include the feasibility of establishing a national agricultural chamber and/or national agricultural advisory service.

These phases are described in more detail below.

a. Phase 1 - PAPO Pre-Qualification

Once the implementation team is constituted, announcements will be made through the public media calling for "expressions of interest" on the part of private agricultural producer organizations desiring assistance under the Project. In order to limit eligibility to established, functioning organizations, several qualifying criteria will appear with the announcements. As such, the publicity will state that for consideration of Project assistance a producer organization must have:

- service to farmer/members as a primary activity;
- Personería Jurídica, or other form of legal status;
- an office, either owned or rented;
- a policy of being open to membership to all producers of the same crop (within the same region, if appropriate) regardless of acreage, or production; and,
- at least one staff member, paid out of the PAPO's own resources.

Nevertheless, it is envisioned, based on the PP design survey, that even with these pre-qualifying criteria, more organizations will respond to the announcements than the thirty contemplated to receive assistance under the Project. Since these requests will most likely be received over a period of time, Project staff will not be able to compare them against one another in

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order to make their selection. Additionally, assistance to organizations will have to be time-phased over the three-year life of the Project with some receiving priority for early assistance, while others will be asked to wait. Therefore, in order to select the organizations which will be included under the Project, and to determine the order with which they will be dealt, selection criteria will have to be established along the lines of those presented herein. (See Annex F for the rationale and interpretation/use of the above listed criteria).

b. Phase 2 - PAPO Selection

Mission contacts with PAPOs during the past two years, and particularly during the intensive review period, have provided a very good understanding of the strengths, weaknesses and needs of various PAPOs which will probably be included in those that are selected to receive assistance under this project. Notwithstanding this familiarity, the Project design team believes it is important that the contractor charged with responsibility for implementing the Project be given an opportunity to participate in the final selection of PAPOs to receive Project assistance, because the contractor will have an important opportunity to closely analyze PAPO strengths and weaknesses at the moment when Project assistance is about to begin. Nevertheless, to give the reader a clearer idea of the Project's main activities, the identification and rationale for selecting some of the specific PAPOs which are most likely to be among those which will receive Project assistance follows.

Illustrative PAPOs: CAO, ADA, ASOHFRUT, ANAPO, PROMASOR, FEGASACRUZ, CAMAT, AGROCENT, ASOPROHL, COINSECO, APP, and ADACCOCH.\* These PAPOs have been selected as likely Project assistance candidates for three principal reasons. First, current organization and administrative systems in these PAPOs, while weak in absolute terms, are relatively stronger than those of other PAPOs. Second, these PAPOs are all involved with production of crops for which there exists a relatively elastic domestic or export demand.\*\* This means that markets will be able to absorb increased production without causing a major price decrease. Third, since these PAPOs are all producing a common set of crops, successful PAPO service delivery programs for one crop may be readily transferred to other PAPOs receiving Project assistance.

To make implementation more manageable, the Project will take advantage of these opportunities of selecting and working with PAPOs which are concerned with similar crops. In this manner, training programs may more easily attend the needs of more than one Project assisted PAPO at a time, or a

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\* See Annex F for identification and details on these organizations.

\*\* Major crops produced by these PAPOs include: wheat, soybeans, corn, sorghum, barley, potatoes, cotton, fruits, vegetables, poultry, and cattle.

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short-term consultant may sequentially assist client PAPOs with similar needs. Similarly, commodity or policy studies conducted may directly benefit more than one Project PAPO, etc. Likewise, the Project team will consider the benefits of selecting PAPOs from the same region or with similar organization structures in order to increase the manageability of implementing thirty PAPO assistance programs. The Project objective of creating a diversity of models for emulation by other, non Project assisted organizations will have to be weighed against these manageability considerations.

Nevertheless, once the Project has received a significant quantity of "expressions of interest" from responding PAPOs in accordance with the pre-qualification process outlined above, the technical assistance team staff, with GOB Project Coordinator and USAID concurrence, will select those with which the Project will work. The selection criteria used in this process will have to be carefully designed to identify the precise strata of organizations targeted by the Project. It is not the intention of the Project to create new organizations, nor to assist organizations which are so weak as not to be capable of offering viable services to its members even with Project assistance. On the other hand, it is also not the intention of the Project to assist only organizations which are functioning well, such as those noted above, which to some extent only require specific fine tuning at the margins. The criteria used in the selection process at this stage will be:

- Crop/Agricultural Activity: (priority given for the following:)
  - \* Export Potential
  - \* Import Substitution Potential
  - \* Non-Traditional Crops with known, non-saturated markets
  - \* Labor Intensive crops
- Organizational Experience: (ranked: high, medium, low)
  - \* Success levels of present service delivery
  - \* Assessment of organizational and administrative capabilities to implement new, or improved services
- Organizational Viability: (rated: good, bad)
  - \* Quality of accounting/administrative systems
  - \* Practice/ability of charging for services
  - \* Relative absence of subsidies supporting the organization
  - \* Past ability of the organization and its members to pay for services
- Social Factors: (priority given for the following)
  - \* Small holder, rather than large holder dominated organizations
  - \* Heterogeneous, open membership policy
- Regional and Organizational Diversity (dependent on TA team capability)
  - \* Area of country not yet reached
  - \* New organization form capable of becoming replication model

The first section of the Target Institutions Description Annex amplifies these criteria.

c. Phase 3 - PAPO Assistance Strategies and Action Plans

Organizational Development Strategies (ODSs)

As the candidate organizations are selected, the staff will schedule them for the first phase of Project assistance: the design of the Organizational Development Strategies (ODSs). This phase will be carried out by teams of two contractor staff members who will spend one to two weeks with each PAPO. The ODS will include a description of the organization, its members, services, and shortcomings. Additionally, and most importantly, it will include a strategy for Project assistance identifying the specific service(s) which are requested and may be received. Services which the ODS considers will be those which are directly tied to improving the organization's services to members, and therefore members' production and/or income. (An outline of the ODS is contained in the Technical Annex of the PP).

Primary and Secondary Group PAPOs

The Project seeks to exert a positive impact on a wide range and large number of PAPOs. This will be achieved by working intensively with a select primary group of PAPOs (estimated to be 10 in number for budgetary and initial planning purposes) and to work on a more limited basis with a second larger group of organizations (estimated at 20) on specific problems they face. By working intensively with the first, relatively small number of organizations, it is intended to establish models which can be applied to and/or emulated by others. This small group will be sufficiently diverse in nature to cover a substantial percentage of the range of organization types. The Project cannot contemplate addressing all of the needs of all the organizations. It will be very selective to make best use of its limited resources. By providing assistance to PAPOs in the second group, the Project will help place additional organizations in positions where full emulation of successful PAPOs is possible, under non-subsidized conditions.

The four-year purpose of the Project is to assist (a minimum of 30) PAPOs in improving service delivery to members. The ten primary group organizations will receive on-going services from the Project over a period of at least one year, and possibly longer. It is also estimated that this group will receive several types of Project assistance over a broad range of topics. The twenty PAPOs in the secondary group, on the other hand, will only receive short-term, specific assistance in certain services areas. While their lines of communication with the Project will always be open, they will, for the most part, not receive the same level of comprehensive assistance as primary category PAPOs. During the third and fourth years of Project implementation, it is quite possible that some PAPOs from the secondary group will be re-evaluated and may graduate to the primary group to receive additional, broader-range assistance.

The determination as to whether a PAPO is placed in the Primary or Secondary category will be made at the time of the preparation of the Organizational Development Strategy as discussed above. Criteria to be used will include:

- the potential for the PAPO to become an emulation model for other producer groups;
- the desires of the PAPO membership as expressed to the ODS elaboration team;
- the viability of the services requested and/or indentified as needed, as evaluated by criteria contained in the PP Technical Annex;
- the ability of the PAPO to pay for specific or longer-term Project assistance, or the capability of the Project provided assistance to generate income which would enable the PAPO to pay for the services; and,
- the logistical capabilities of Project staff, not withstanding regional and commodity diversity Project objectives.

#### Organizational Development Actions Plans (ODAPs)

After the PAPO is classified in the primary or secondary group, the ODS will serve as a resource document for preparation of a final Organizational Development Action Plan (ODAP), which will be employed as a contract between the Project and the PAPO. The ODAP will contain an analysis of the fees which will be charged by the Project, and a plan for charging members for Project services. (A provisional outline for the ODAPs to follow can be found in the Technical Annex.)

Project assistance will be offered to improve both the policy representation and production input/marketing aspects of service delivery to PAPO members. However, as further explained in the Technical Analysis of Section VI.A., the Project will tend to orient services to any individual PAPO along one line or the other to avoid the decrease in organizational effectiveness which usually results when one organization attempts to both influence policy by lobbying with the government and provide production services at the same time. Additionally, experience gained from PAPO responses to the Project's requests for expressions of interest and the ODS's developed will be used to elaborate detailed plans for the commodity and policy studies and Project supported newsletter.

#### Types of Assistance

Project assistance will be provided both to PAPOs to strengthen their administrative systems, management skills and organization structures

and infrastructure, and through PAPOs to increase their members' production and incomes. This assistance will be in six general areas: technical assistance, training, studies, environmental education, a newsletter and access to financial support (either in the form of credit or direct grants). A methodological framework for the evaluation of the appropriateness of a PAPO utilizing a particular form of assistance to generate or improve a service to its members is included in the Technical Annex of the PP.

#### Technical Assistance

The Project implementation team, besides elaborating the ODS and ODAP documents, will arrange for short-term technical assistance supplied to the various participating PAPOs, as described in each ODAP. A directory of suppliers of technical assistance for specified disciplines (identified below) in Bolivia, in the region, and in the U.S., will be prepared by Project staff with home office assistance as one of their first activities. This directory will continuously be updated over the life of the Project as new needs are requested and sources identified.

Ideally, two or three candidates would be identified for every PAPO consultancy identified in the ODAPs. The candidates' particulars (experience, training, costs, etc.) would be presented to the PAPO for selection. This practice is suggested for three reasons: the PAPO's are paying for at least part of the assistance as described below; it will make the consultant more responsible to the organization, rather than the Project; and it will give the PAPO members a greater sense of obligation to utilize the assistance well.

The sources of the technical assistance will be local, regional, and from the U.S. Since one of the sub-purposes of the Project is to stimulate the local consulting industry, the Bolivian "pool" of consultants will be referred to first. Technical ability will be highly weighted, but so will other factors such as experience in the region, knowledge of local conditions and conventions, and language ability.

Specific disciplines contained in the directory will be based on those needs identified during the Project design phase intensive review of PAPOs (See Annex F for details) as well as others requested by the PAPOs over the life of the Project and confirmed in the ODSs and ODAPs. A representative list of these technical assistance needs collected to date includes:

- Organizational structuring and development;
- Administration, including accounting, record keeping, financial management, inventory control and computerization;
- Commodity specific production technologies and farm management;

- Marketing systems, including post-harvest technologies, storage, transportation, quality control and standards, and pricing policy; and,
- Access to the financial system, including loans, loan guarantees and savings programs.

Based on the ODSs and ODAPs, the Project staff will establish technical assistance schedules for the 10 primary and 20 secondary organizations selected to receive Project assistance. Based on these schedules, the Project staff will then contact the appropriate source of technical assistance, and make arrangements for it to be supplied to the organization.

An attempt on the part of Project staff to make the technical assistance as relevant and cost effective as possible will be of critical importance to the success of this component. This will necessarily mean that much of the technical assistance will come from local and regional sources familiar with the same types of problems and the scale of operations.

#### Training

As the ODS's are prepared and a pattern of training needs begins to emerge, the Project implementation team's Training Coordinator will begin to research and assemble a resource list of trainers and training institutions, as well as to procure audio visual equipment to be used in training sessions. The Training Coordinator will be responsible for organizing both in-country courses and study tours or short-term courses abroad.

Leaders, members and administrative and technical personnel from the PAPOs will be offered the opportunity to participate in the short-term training programs. It is envisioned that these programs will be of several types and will deal with a wide variety of disciplines. The types will range from technical demonstrations on the farms of PAPO members and classroom workshops and seminars, to field visits to appropriate locations within Bolivia as well as to countries in the region. Emphasis will be placed on practical, hands-on teaching methods appropriate to local conditions.

During the intensive review of the Project, interviews with a large number of potentially appropriate PAPOs suggested the need for training in the following disciplines: organizational structuring and administration, financial management, production technologies, marketing, post-harvest handling of commodities, extension methodologies and investment proposal preparation.

Project implementation team staff will review the strategies (ODSs) and action plans (ODAPs) for training requests and needs of the various PAPOs. Quarterly training plans, organized along subject lines, will then be drawn up in an attempt to coordinate the needs of several PAPOs at the same

time. Where possible, the training needs of several PAPOs will be responded to in joint seminars and workshops or by employing one trainer for serially conducted sessions with several PAPOs. The Training Coordinator on the Project staff will be responsible for drafting these schedules of training activities, logistics preparation and for the selection and hiring of trainers.

#### Studies

Another type of assistance envisioned under the Project concerns the need for commodity and policy studies. One of the primary problems facing a majority of the PAPOs interviewed during Project Paper preparation was a lack of complete information concerning the various systems (e.g. production, processing and marketing) and alternatives which confront PAPO members. Likewise, in other cases, PAPO members often find themselves frustrated by a lack of information concerning government policies which affect them significantly (e.g., import/export policies, price control policies, etc.). The Project, therefore, proposes to commission six commodity studies and four policy studies to be completed over the life of the Project. Again, local and regional experts will be sought first for the execution of these studies.

The implementation of the Commodity and Policy Studies will be performed through the same mechanism as the provision of technical assistance and training. Once the Project receives and approves a request for the studying of a particular commodity or policy, the appropriate consultants will be sought and hired. The USAID Project Manager will review and approve the study proposal.

#### Environmental Education

The primary environmental constraints to agricultural productivity in regions and for crops/PAPOs likely to receive Project assistance will be outlined early in the implementation phase. To this end, a study will be undertaken by the Bolivian Land Use Survey Bureau (CUMAT)\*, the Bolivian Environmental League (LIDEMA) \* or another concerned Bolivian environmental organization. It will be funded by a small grant (Operational Support line item of the Project budget). The study will be conducted as a sub-contract to the Project technical assistance team's institutional contract.

The constraints identified could include, for example, high rainfall with steep slopes, low rainfall zones, soil erosion by wind after overgrazing, acid soils of low productivity, etc. Determinations of optimal land use capability in each producer region may be obtained through CUMAT.

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\* See acronym list at front of paper for definitions.

Specifications of potentially sustainable crops and cropping systems should be included in the land-use capability recommendations. The periodic extremes of drought and flood cycles common in Bolivia should also be considered when determining appropriate cropping systems, including comments on crop diversity to allow subsistence production during periods of extremes.

This initial study will give insight into the environmental practicality of probable services being discussed with the producer organizations. It can also point out that if, in a particular region, rainfall is high, slopes are steep, and soils are highly erodible, the Project should discourage requests for information on intensive annual cropping, high fertilizer or pesticide inputs (likely to be washed away rapidly), heavy agricultural machinery or road construction (erosion leading to destruction of productive soils), etc., and instead, provide information on mixed perennial crops, perhaps including agroforestry. Cost-benefit analyses based on land-use capability within a producer region may guide the emphasis of support services provided by PAPOs, with understanding of the reality of environmental constraints in the region provided through environmental and agricultural education specific to the region.

Details of the methods and requirements for preparation of such land-use capability assessments will have to be discussed with CUMAT personnel. There will be some complications due to the diversity of concerns (crops and geographic coverage) of producer organizations.

Environmental and land-use education should be provided on a regional basis to producer organizations selected for Project assistance. This should include explanations of how high input of fertilizers and pesticides, and consequent higher productivity, almost invariably lead to soil micronutrient deficiencies, pest resistance to pesticides, loss of beneficial insects (pollinators, parasites and predators of pest species, etc.), erosion, changes in weed species and herbicide resistance in weeds, and, under irrigation, salinization of soils.

Examples and models of how to reduce or avoid such problems are a necessary part of such education, tailored to local conditions. These can include soil conservation practices, rational selection and use of specific pesticides through integrated pest management programs, increased fallow periods or crop rotation, no-till agriculture, agro-forestry, leguminous cover-crops when soils would be exposed to erosion, decreased irrigation input with flushing of fields where possible, etc.

The Project technical assistance team, in conjunction with the USAID Project Coordinator and Manager, will develop an implementation plan for the regional education program after discussions with LIDEMA, CUMAT and other potential implementing organizations. A second small grant will then be awarded once the plan is defined and the implementer(s) identified. Funding will include audio-visual materials development, educational materials hand-out preparation, and logistics and personnel expenses. The program will be conducted through a sub-contract to the Project technical assistance team's institutional contract or through other appropriate contracting arrangement.

As the third component of the environmental education program, environmental influences on productivity will be examined as part of the preparation of the ODSs for each PAPO. Should an ODS identify an environmental concern, the ODAP for that PAPO will include definition of the means by which it will be addressed. In most cases, it is expected that a short-term, grant funded technical assistance effort will be required to address the issue(s).

#### Newsletter

As an additional form of assistance, the Project will design, obtain articles from PAPO, GOB and private sector sources, and publish a regular newsletter concerning PAPOs, their members and services offered. It is envisioned that the initial readers of this newsletter will be the leaders and managers of the PAPOs, although a wider readership might be expected once it achieves acceptance. Improved coordination and information exchange among PAPOs, especially in terms of dissemination of success stories on service and organization functioning is the newsletter activity objective. PAPOs interviewed during PP design agreed on the potential benefits of this program.

#### Financial Support

Although this Project is institution building in nature and is not a credit Project per se, financial resources will be made available through two mechanisms: operational support grants; and, access to P.L. 480 credits for refinancing productive investments through an appropriate Intermediate Credit Institution (ICI).

In the first case, monies will be made available on a grant basis to PAPOs demonstrating potential viability, but lacking infrastructure capital and/or administrative capabilities. The amount of these grants will be limited to US\$ 25,000 per organization and will go to pay for such items as new administrative staff, office supplies and equipment, computerization services, vehicles and other not directly productive investments. Care will be taken during the design of the ODSs and ODAPs so that these grants are not perceived as operational subsidies, but are rather geared toward the stimulation and provision of productive services on the part of the organizations receiving them. Small grants are anticipated to be made to a mixture of approximately twenty primary and secondary PAPOs of the total of thirty to be assisted.

In the second case, P.L. 480 funds will be available for loaning to PAPOs for productive, income-generating projects related to service delivery to members. Examples might be the construction of silos for common storage of PAPO members' production to enable group marketing, or the implementation of central wholesale market plans. These loans will originate with the design of a Project by the PAPO itself, through the ODAP or by a hired consulting service. (At the discretion of the Project staff, the costs of these project designs may be grant funded.) The PAPO will then present the proposal to any of several ICIs which manage PL-480 funds for consideration

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and possible financing. The Project will not establish its own credit mechanism. Rather, PAPOs will submit their proposals to ICIs through the mechanism established by the PL-480 Secretariat under the Market Town Capital Formation Project. Should additional peso funds, over those contemplated in the Project budget, become available to USAID for use in support of the growth of PAPOs, these may be channeled through Project mechanisms as further service related or production credits.

#### Service Providers and Cost Coverage

The ODS will determine which services will most increase the productivity and income of a PAPO's membership. The ODAP will emphasize cost recovery for most of these services to be provided by (and to) PAPOs with Project assistance. It will also be determined if the services are offered by private firms in the area and if so, how those services can be made more effective by the existing firms, or by competing firms, or by some sort of contractual arrangement with the PAPOs. If the services cannot be improved by one of these alternatives, or if the services do not exist, then the PAPO's ability to offer the service at cost, or at a profit to its membership will be analyzed. If the services appear feasible, the Project will assist the PAPO in setting up the new services. If a particular required service (such as land titles) logically should be offered by the government, or in cooperation with the government, and if it appears likely that the government, in spite of its serious limitations can provide the service, then the Project will work with the government and PAPOs to establish or improve the required service.

The services PAPOs provide to members should directly increase farmer incomes, and it is expected that the PAPOs will wish to continue providing services to their members after the Project is completed. Since this can only happen if members are willing to pay the full cost of services provided, fees will be charged for Project services from the beginning. Given that the concept of fees for services is well established in most PAPOs, it is expected that PAPOs will accept this arrangement. Project fees will initially be established based on a PAPOs ability to pay, combined with a particular service's ability to generate income for the organization. In general, it is expected that all PAPOs, regardless of economic and social standing, will pay at least a portion of Project assistance costs to ensure serious and efficient utilization of the services.

External technical assistance will be brought in during the early stages of the project to develop model PAPO service delivery mechanisms. Since these models will later be replicated to other PAPOs, it is felt that international travel, per diem and other high costs of international experts should be borne principally by the Project. It is also felt that the costs of providing assistance concerning environmental issues or other assistance which does not directly lead to increased farmer income should be covered by the Project. This is due to the fact that various types of assistance (e.g. environmental issues or administrative assistance) are erroneously not seen by most producers and PAPOs as being significantly

related to the issues of production and income generation. Project provision of these free services will act as an incentive for the PAPO to request and then use this important information.

According to field research, current fee collection efforts of PAPOs are not well developed. PAPOs in Bolivia earn their income from several sources, including:

Membership fees for a fixed time period;

Commissions on amounts of produce sold through the PAPO, or to a processor with which the PAPO has a discounting arrangement;

Fees based on potential use of service (i.e., number of chickens, hectares of grapes, head of dairy cattle);

Markups on inputs or other items sold through the PAPO;

Direct user fees for specific services provided; and,

Donations from outside sources.

The type of income generation/cost covering mechanism selected to cover PAPO contribution requirements will depend on the type of service offered. Efficiency of collection should be a factor, as well as having it as closely tied to service delivery as possible so that members see the direct relationship between service and cost. For example, discounts and price markups at the point of sale are respectively the most efficient for marketing and input supply services. Technical assistance, on the other hand, might be financed either out of general revenue, or against returns from produce marketed through the organization. When credit is provided through a PAPO, a fixed share of the ICI spread should be collected by the organization, although this is rarely done.

The vast majority of the PAPOs contacted during Project preparation were in agreement with a policy requiring payment for Project-provided assistance. Tentatively, such payments will be deposited in a special account, possibly through the PL 480 Secretariat, and will be used to finance project related activities to be determined during the course of project implementation. In calculating the actual fees which a PAPO is to be charged, the Project staff should use the principles set forth below. (Also see Economic Analysis section on justifications for non cost covering grant assistance to PAPOs):

- Three different cost levels will be incurred by the Project, because the consultants will be coming from three general sources: Bolivia, the Latin American region, and the U.S.
- Technical assistance which is expected to result in provision of an income increasing service will be provided by partial grants. A scale of partial grants will link the amount which a PAPO will be required to pay to the number of times the PAPO receives assistance. For example, the first time a PAPO



requests technical assistance to develop an income increasing service, the PAPO might be required to pay only 10% of the average daily rate of a local consultant. The second time such assistance is requested, the PAPO would be required to pay 25%, and so on. Each time the PAPO avails itself of Project technical assistance to establish a productive service, the cost of these services would be increased until the PAPO is paying an amount equivalent to 100% of the average cost of a local consultant.

- Technical assistance related to environmental issues, training courses, PAPO organization, PAPO administration, or similar topics which is not expected to have a direct impact on farmer incomes will be provided as a grant.
- PAPOs will be required to cover 100% of all per diem costs of their trainees.
- The fee structure for Project assistance should be perceived as being fair and just, and applied to clear, well understood guidelines.
- All cost sharing calculations will be based upon the average costs of local consulting firms, because it is expected that after the Project is over, only local consultants will be employed by PAPOs. All costs in excess of the average cost of local consultants will be paid by the Project as a grant.
- If PAPOs are too poor to pay the costs of income producing services when the service is provided, the Project will provide these services as a loan to be repaid when farmers realize increased income as a result of the service (this provision will apply principally to the campesino organizations which are composed of small rural producers).
- A PAPO requesting a commodity or policy study should assist the Project to cover local room and board costs in the field for all experts performing the study.
- The Project newsletter should begin publication as a Project funded service. Future charges for advertising and subscriptions should be considered as the activity evolves and spin-off possibilities are evaluated.

A standard fee schedule (to be developed by the Project implementation staff) will be included as part of the ODAP to be negotiated with each PAPO. Except as USAID may otherwise agree to in writing, this standard fee schedule shall be used for all technical assistance activities which the Project may provide to PAPOs.

d. Phase 4 - Continue Implementation

During this phase of the Project, technical assistance team members will continue to visit selected PAPOs for one to two week periods to draft their ODSS and ODAPS for GOB and AID approvals. The team will continue to identify sources and supply technical assistance needs agreed to in the ODAPS. The team will also continue to prepare Quarterly Training Plans and arrange for their implementation.

During this phase, the team's field personnel will be spending a significant portion of their time re-visiting PAPOs whose ODAPS are being implemented to monitor implementation progress, evaluate the effectiveness of the Project provided assistance, and update each PAPOs Project file. This last effort will assist the Project staff to determine if a secondary group PAPO can be moved into the primary, potential role model category and be offered more extensive Project assistance to achieve this objective.

The environmental education program will continue to evolve as discussed in "Types of Assistance" above. One on more short-term consultancies by a mass communications expert will assist the team's local hire communications specialist to produce and improve the Project supported newsletter, and commodity and policy studies performed under sub-contracts will continue to be elaborated at PAPOs' requests.

The team leader and his/her staff will help facilitate the periodic evaluations outlined in PP Section V.B. and participate with AID and the GOB in discussions and programmatic decisions made based on the results of these evaluations.

e. Phase 5 - Future Arrangements for Assistance to PAPOs

One of the functions of the Project implementation team will be to identify and analyze alternative mechanisms through which the PAPOs and the agricultural sector in general may continue to receive the stimulation and support they will require for continued, post-Project growth. In this regard, the Project includes provisions for the elaboration of feasibility studies of a post-Project, national agricultural advisory service and agricultural chamber.

If sufficient interest is manifested and preliminary agreement is reached on the potential of successful implementation of a national entity which might continue to provide some or all of the Project's assistance activities, the feasibility study(ies) for a national agricultural organization in the private sector will be undertaken. The Project purposely does not propose to establish such an entity, but will be capable of providing the documentary foundation and perhaps a portion of the start-up capital for one. The Project design only proposes to study feasibility rather than the creation of one or more national entities because research both before and during PP preparation has indicated that there is no present agreement among PAPOs and regions as to what type of mechanism might be successfully implemented and would be widely supported.

The study or studies would be fully funded by the Project in the same manner as the commodity and policy studies. Funding would come from the studies line item of the budget. The PP Evaluation Plan (Section V.B. Point 4) outlines a mid-course evaluation oriented to planning for the end of the Project. It will provide most of the data that the implementation team needs to make a decision as to how to proceed, both in regard to the feasibility studies and newsletter continuation/spin-off. The study(ies) will consider whether/how to take advantage of the availability of trained Project implementation team local staff and infrastructure in any follow-on activity which is recommended.

Alternatively, Project study funds may be used to investigate other options such as reinforcing regional developmental finance organization (UCF\*) capabilities to support and assist further PAPO and sector growth.

#### 4. Project Inputs

Inputs are described herein in terms of long-term and short-term experts to be Project funded and financial assistance planned.

##### a. Experts for Coordination, PAPO Technical Assistance (TA) and Training

Implementation of the PAPO Project will require a long-term technical assistance team and support staff of fourteen people in the first year, twelve in the following year, eleven for the next six months and ten for the last year of Project implementation (Note that the PP Implementation Plan calls for a six month initial mobilization period followed by three and one-half years of actual Project assistance implementation). It will also require a short-term consulting pool of 300 person months. These figures are based on a minimum target population of 30 PAPOs being assisted over a three-year life of the Project, plus an analysis of technical assistance needs collected during Project Paper preparation. The trainers, experts on newsletter creation and production, and environmental consultants will come from this short-term technical assistance pool as well. All members of the implementation team, including the short-term consultants, but excluding the USAID Project Coordinator, will be technical assistance team employees or sub-contractors, not GOB or USAID employees or contractors, and be hired and paid for under the implementation team contract.

##### Long-Term Positions

- USAID Project Coordinator -- A U.S., Third Country National (TCN) or Bolivian Personal Services Contractor (PSC), will be employed for approximately three and one-half years, located within USAID/Bolivia and assist the Project Manager in day-to-day liaison between the Mission and the Project technical assistance team, as well as for Project implementation monitoring.

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\* see Glossary at front of PP for definition.

- Four (4) Organizational Analysis/Agricultural Development Experts -- These four people will be the principal links between the Project and the producer organizations. They will, with USAID and GOB approvals, pre-qualify and select PAPOs with which they will prepare the Organizational Development Strategies (ODS). They will then prepare Organizational Development Action Plans (ODAPs) based on the ODSs, ensure that their technical assistance team staff is providing inputs and coordinating implementation of the ODAPs, and otherwise monitor ODAP implementation. In teams of two, they will spend approximately two weeks on-site with each selected PAPO to draft its ODS and ODAP. The ODAP will be approved and signed by all concerned parties (the GOB, AID, PAPO and, if applicable, the PL-480 Secretariat) and its implementation plan initiated. The team will then begin its ODS/ODAP preparation for the next PAPO on the approved list.

The four experts will be technical assistance organization employees, located in the Project implementation team office. Each team of two experts will be composed of one representative from the complementary disciplines of agriculture (economics or marketing) and more general organization development or business administration. One team will be employed for only one year of implementation to enable a greater number of ODSs/ODAPs to be produced early on, but not allow team personnel costs to be exceptionally high for the life of Project, while the other will remain intact for two and one-half years. One person from the longer duration team will be designated Chief of Party for the technical assistance team and remain until the end of the Project. The longer duration team will contain members with experience in agricultural marketing and business administration to ensure adequate in-house expertise on monitoring and re-directing, if necessary, Project provided assistance. Only a maximum of one of these four positions plus the Resource Procurement Expert position described next will be filled by a U.S. citizen. The remaining four will be TCNs or Bolivian nationals.\*

- Resource Procurement Expert -- He/she will be in charge of office administration and identifying and contracting sources of short-term technical assistance and training as identified in the ODSs and ODAPs, and as with the remaining long-term technical assistance team employees listed below, located in the implementation team office. This person will, with significant home office backstopping, develop the Technical Assistance Roster and oversee Project commodity procurement (vehicles, computer and audio-visual equipment). He/she will be hired for the first two years of implementation. His/her duties for the last year and one-half of Project activities will be taken over by the local hire deputy, listed next, if the Resource Procurement Expert is not a Bolivian national.

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\* (Terms of Reference for the lead positions can be found in the Technical Annex to this paper.)

- Deputy Resource Procurement Expert -- He/she will be a local hire, employed for the life of the Project as soon after expatriate team mobilization in Bolivia as possible. This is also the case for the other Bolivian employees listed below.

- Training Coordinator -- A local hire, he/she will be responsible for the organization and supervision of training and environmental education activities.

- Communications Expert -- A local hire, he/she will be responsible for the PAPO Newsletter, Project publicity, and audio-visual equipment procurement and program presentations.

- Three Project Secretaries -- At least one bilingual, they will be locally hired and responsible for normal secretarial and clerical functions.

- Project Accountant -- A local hire, he/she will be responsible for Project financial record keeping.

- Office Support Person He/she will be a local hire.

Following is a breakdown of estimated short-term technical assistance which will be required: (Included here is a combination of the person months required for the technical assistance, newsletter, studies, environmental education and training activities of the Project.)

<u>Input or Service Area</u>	<u>Consultant Field of Expertise</u>	<u>Person Months</u>
Commodity Studies (6)	Agricultural Economics	24
Policy Studies (4)	Agricultural Economics	24
Newsletter	Mass Communications	6
Organizational Redesign	Organizational Development	6
Administration/Management	Business Administration	60
Marketing	Agricultural Economics	60
Extension Methods	Agricultural Extension	20
Storage/Post-Harvest/Trans.	Specialists	20
Environmental Issues	Environmental Studies	20
Technical Fields	Agronomy, Horticulture, Soils, Appropriate Tech., Agro-Processing, etc.	60
	Total	300

While these short-term technical assistance consultants/trainers will be sought from the most appropriate and cost-effective sources possible, it is estimated that the origin of the assistance will be approximately one-third from within Bolivia, one-third from the Latin American region, and one-third from the U.S. It is also envisioned that some of the local expertise will come from the Agricultural Chambers of Santa Cruz and Tarija, which already have substantial experience in PAPO organization and operation matters and whose services will be in demand in the other departments.

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For purposes of calculation, one person-month per consultant, per PAPO has been used, although it is conceivable that the consultancies will range from one week to three months. It is also most likely that some consultancies will cover several PAPOs, while in other cases one PAPO will require return consultancies for the same subject matter. It is further estimated that the Commodity Studies will each require two people for two months, while the Policy Studies will each require two people for three months.

b. Financial Assistance

Small Grants

Strengthening grants of up to \$25,000 per PAPO will be available. These grants will be made to enable the PAPO's to improve their member contact and coordination activities, modernize office management and organizational structure, and improve their facilities. It is the intention of these grants to pay for items which will strengthen the organization, but which are not directly related to a service for which members can be charged. A panel composed of the consultant team leader, the GOB authorized representative to the Project, and USAID Project Manager and Coordinator will decide to whom such grants are to be given based on analyses contained in the ODSs and ODAPs. Approximately 20 of the thirty PAPOs to be assisted are expected to be offered this assistance at an average of \$15,000 per PAPO. The small grants will be disbursed directly by USAID/Bolivia to each PAPO, rather than by the technical assistance team.

Credit (Investments in Service Related Activities)

Over the life of the Project, up to \$5,000,000 equivalent in peso credit funds will be provided by PL-480 for client PAPOs to improve their services to members through implementing approved service related sub-projects. Technical assistance will be obtainable through the Project for the design of these ODAP-approved sub-projects. The Project technical assistance team and the UCFs will, if required, monitor and advise the PAPO as it pursues its financing through established intermediate credit institution (ICI) mechanisms.

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III. COST ESTIMATE AND FINANCIAL PLAN \*

A. Project Budget and Disbursement Plan

The first table which follows shows the estimated cost of the Project by source (AID dollars, GOB/PL-480 pesos and PAPO in-kind or peso contributions), and component (technical assistance, training, operational support, Project support, credit, and contingencies). A five percent annual inflation factor is built into appropriate line items rather than shown separately.

The second table projects expenditures by Project year, corresponding to the implementation schedule contained in PP section IV.B.

Refinements of the Project implementation plan in terms of allocation of resources and quantifiable outputs are anticipated as a result of mid-term evaluations (See PP Section V.B.). Therefore, the estimates contained in this section may be modified once full implementation is underway.

PAPOs will be required to pay a percentage of Project assistance costs which will be dependent upon the assistance provided and capability of the specific PAPO to cover costs. A minimum contribution which considers coverage of only lodging and local transportation costs for Bolivian consultants and training by the PAPOs has been used in the following tables to establish a conservative estimate of the amount of assistance which the Project will be providing. Consequently, the PAPO contribution should actually be greater than that shown in the budget.

Detailed cost tables are contained in Annex H. As noted therein, various technical assistance team contract or cooperative agreement costs will be funded in pesos by the GOB/PL-480. In order to keep AID dollar requirements to a minimum, these contributions have been maximized.

The GOB/PL-480 peso contributions noted in the budget will be made available to the Project through an implementation letter signed by USAID and PL-480, based on the GOB request for assistance contained in PP Annex D. The pesos needed for the technical assistance team contract will be transferred to USAID by PL-480 for direct disbursement by USAID/Bolivia. The technical assistance firm will receive quarterly peso disbursements which will be placed in the firm's account following USAID/Bolivia disbursement procedures for management and disbursement by them to cover the implementation costs detailed in the budget which follows and Annex H.

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\* Even with maximizing the use of GOB/PL-480 supplied Bolivian pesos, as described herein and in Annex H, the AID contribution had to be raised from the \$3 million PID level to the \$4.2 million PP amount. The Mission, based on a complete analysis of detailed costs, determined that \$3 million would be insufficient for implementing a project which would achieve the desired objectives. The life of Project was extended from the three year period of the PID to the present 4 year period for similar reasons.

SUMMARY COST ESTIMATE AND FINANCIAL PLAN (1)  
(US \$000's)

PROJECT INPUTS	S O U R C E S				TOTAL
	AID		GOB/PL-480	PAPO	
	FX	L/C	L/C (2)	L/C	
I. Technical Assistance					
A. Contract Advisors					
1. Long Term					
a) International	1,163	--	185	--	1,348
b) Local	355	--	167	--	522
2. Short-term					
a) U.S.	575	--	122	--	697
b) T.C.	320	--	122	--	442
c) Local	205	--	19	41	265
B. Evaluations and Audit	56	19	--	--	75
II. Training					
A. Trainers to/in Bolivia					
1. U.S.	244	--	51	--	295
2. Neighboring country	80	--	107	--	187
3. Local	35	--	62	18	115
B. Participant training					
1. Neighboring country	148	--	12	--	160
2. In-country (3)	4	--	33	11	48
III. Operational Support					
A. Small Grants Program	240	60	--	--	300
B. Audio Visual Equipment	20	--	--	--	20
C. Commodity studies	126	--	60	--	186
D. Policy studies	126	--	60	--	186
IV. Project Support					
A. Project Coordinator	192	44	--	--	236
B. Project Vehicles and Equipment	55	--	--	--	55
V. Credit (Investments in Service Related Activities)	--	--	5,000	1,230	6,230
VI. Contingencies	133	33	--	--	133
TOTAL	<u>4,200</u>	<u>156</u>	<u>6,000</u>	<u>1,300</u>	<u>11,500</u>
	=====	=====	=====	=====	=====
		4,200			
		=====			

- /
- (1) An inflation factor of 5% p.a. has been built into each of the salary line items below. For details of this cost estimate see Annex H.
  - (2) In-country travel, per diem, and logistic support costs for TA will be funded by PL-480
  - (3) Does not cover local per diem cost for resident courses which will be financed in-kind by PAPOs.

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PROJECTION OF EXPENDITURES BY PROJECT YEAR  
(US\$000's)

INPUT/SOURCE	Y E A R 1			Y E A R 2			Y E A R 3			Y E A R 4			T O T A L		
	AID	GOB	PAPOs	AID	GOB	PAPOs	AID	GOB	PAPOs	AID	GOB	PAPOs	AID	GOB	PAPOs
I. Technical Assistance															
A. Contract Advisors															
1. Long Term															
a) International	350	40	--	300	55	--	281	55	--	232	35	--	1,163	185	--
b) Local	80	40	--	100	50	--	100	50	--	75	27	--	355	167	--
2. Short Term															
a) U.S.	120	25	--	180	36	--	180	36	--	95	25	--	575	122	--
b) TC	70	25	--	90	36	--	90	36	--	70	25	--	320	122	--
c) Local	40	4	10	60	5	10	65	6	10	40	4	11	205	19	41
B. Evaluation and Audit	--	--	--	20	--	--	20	--	--	35	--	--	75	--	--
II. Training															
A. Trainers to/in Bolivia															
1. U.S.	40	10	--	70	15	--	70	15	--	64	11	--	244	51	--
2. Neighboring Country	15	14	--	25	30	--	25	30	--	15	33	--	80	107	--
3. Local	10	10	5	10	20	5	10	27	5	5	5	3	35	62	11
B. Participant Training															
1. Neighboring Country	30	3	--	45	3	--	45	3	--	28	3	--	148	12	--
2. In-country	--	5	2	--	10	2	2	10	2	2	8	5	4	33	11
III. Operational Support															
A. Small Grants Program	60	--	--	90	--	--	90	--	--	60	--	--	300	--	--
B. Audio Visual Equipment	5	--	--	5	--	--	5	--	--	5	--	--	20	--	--
C. Commodity Studies	25	12	--	40	20	--	36	16	--	25	12	--	126	60	--
D. Policy Studies	25	12	--	40	20	--	36	16	--	25	12	--	126	60	--
IV. Project Support															
A. Project Coordinator	80	--	--	60	--	--	60	--	--	36	--	--	236	--	--
B. Project Vehicles and Equipment	55	--	--	--	--	--	--	--	--	--	--	--	55	--	--
V. Credit (Investments in Service Related Activities)	--	1,000	243	--	1,500	373	--	1,500	373	--	1,000	241	--	5,000	1,230
VI. Contingencies	45	--	--	15	--	--	35	--	--	38	--	--	133	--	--
T O T A L	<u>1,100</u>	<u>1,200</u>	<u>260</u>	<u>1,150</u>	<u>1,800</u>	<u>390</u>	<u>1,150</u>	<u>1,800</u>	<u>390</u>	<u>850</u>	<u>1,200</u>	<u>260</u>	<u>4,200</u>	<u>6,000</u>	<u>1,300</u>

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B. Implementing and Financing Procedures

AID funds for the Project will be channeled as indicated below.

<u>Major Elements</u>	<u>Method of Implementation</u>	<u>Method of Financing</u>	<u>Approximate Amount</u>
I. Technical Assistance			
A. Implementation Team	Direct AID Institutional Contract	Direct Pay	\$2,618,000
B. Evaluations	Work Order under TSM IQC	Direct Pay	\$ 56,500
C. Audit	Direct AID contract	Direct Pay	\$ 18,500
II. Training	Through Implementation Team Institutional Contract	Direct Pay	\$ 511,000
III. Operational Support			
A. Procurement of Audio Visual Equipment and Studies	Through Implementation Team Institutional Contract	Direct Pay	\$ 272,000
B. Small Grants	Direct AID "short form" grant agreements	Direct Pay	\$ 300,000
IV. Project Support			
A. Project Coordinator PSC		Direct Pay	\$ 236,000
B. Vehicles and Automation Procurement	Through Implementation Team Institutional Contract	Direct Pay	\$ 55,000
V. Credit	N/A	N/A	--
		Sub-Total	\$4,067,000
		Contingencies	\$ 133,000
		TOTAL	\$4,200,000

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#### IV. IMPLEMENTATION PLAN

##### A. Responsibilities

###### 1. USAID

The USAID/Bolivia Project Manager will be assisted by the contracted Project Coordinator and a Mission Project Committee in his/her responsibility of monitoring the provision of inputs and Project outputs. The USAID Project Coordinator (PSC) will work closely on routine, daily matters with the technical assistance team leader to ensure compliance with the terms and conditions of the contract, verify that proper procedures are followed for all AID financed sub-contracts and acquisitions, and help solve implementation problems as they arise.

The USAID Project Committee will periodically review Project status to identify potential implementation and/or other Project-related problems, develop appropriate solutions and contribute to periodic status reports.

The USAID direct hire Project Manager will be given direct supervisory responsibility and authority for both Project Coordinator and technical assistance team performance (under AID Redlegation of Authority 5.21). In addition, the Project Manager will be the designated counterpart of the GOB authorized representative of the Project.

###### 2. Technical Assistance Team

The team will perform all activities described in its contract scope of work. Annex I contains the draft PIO/T with proposed terms of reference for the Request for Proposals (RFP) to be issued under the Project.

The Project technical assistance contract will provide for the TA organization's assumption of the responsibilities for procuring most logistical and Project input needs. The TA organization will rent its own office space, procure needed office materials, equipment and vehicles, rent and furnish team members' housing, hire and pay local staff, subcontract with short-term advisors and trainers, subcontract for studies and newsletter production, and procure audio visual equipment.

###### 3. The Government of Bolivia (GOB)

The Project Agreement (ProAg) will be signed with the GOB Ministry of Planning and Coordination (MPC). The Project anticipates the naming of the authorized GOB/MPC representative of the USAID RDP/DDC Project (or its proposed follow-on) as the authorized representative for this project. As such, he/she will be able to coordinate implementation of these two related, but organizationally separate USAID projects for the GOB. The Bolivian Government representative will have close contact with the two projects, thus enabling his/her informed participation in major decisions intended to

maximize the use of available resources. Because daily work requirements will be minimal, since monitoring of the team's daily work will be the responsibility of the USAID Project Manager, assisted by the PSC Project Coordinator, the GOB representative should be capable of performing his/her oversight responsibilities along with his/her role as head of the MPC Project Coordination Unit established under the RDP/DDC Project. This mechanism is consistent with the GOB/MPC request for assistance contained in PP Annex D, which also calls for the RDP/DDC Project Coordination Unit to act on the GOB's behalf.

#### B. Schedule of Major Events

The Implementation Schedule which follows outlines events from the anticipated date of USAID/Bolivia approval of the Project Paper in July, 1986. Details on specific assistance to PAPOs, timing of studies, etc., have not been included as these are items to be determined after PAPO pre-qualification, selection, and development of individual PAPO ODSs and ODAPs.

The Project's implementation plan involves periodic readjustment of resource allocation, means and objectives to facilitate the attainment of the Project purpose. Major redirection consideration points are timed to coincide with the submission of mid-course evaluation reports. Other events which are essential for planning initial implementation and mobilizing technical assistance are also noted.

#### C. Procurement Plan

The technical assistance contractor will be responsible for procuring the following on a timely basis:

- services of local hire personnel
- office space and equipment (including computer)
- 3 four wheel drive vehicles
- short-term consultants for technical assistance, training, studies, environmental education and newsletter activities
- other training services and audio visual equipment
- materials and supplies purchased in the U.S. for PAPOs under the Small Grants component of the Operational Support line item.

As shown in the Project Financial Plan (Section III), funds have been earmarked for the contract to cover these costs.

The Project Personal Services Contract (PSC) Coordinator will be hired as soon as possible after Project approval. A PIO/T and an advertisement for this position will be issued, based on the scope of work in Section V.A., in the weeks following Project approval.

There is no other procurement anticipated.





V. MONITORING, EVALUATION AND AUDIT PLAN

A. USAID Monitoring

A U.S., third country national (TCN) or Bolivian personal service contractor (PSC) will be contracted with Project funds. He/she will be based in the USAID Private Sector and Rural Development Office (USAID/PRD), to serve as the Project Coordinator, and to monitor the Project on a day-to-day basis. A United States Direct Hire AID employee will be designated the Project Manager and will supervise the Project Coordinator, including his/her monitoring responsibilities. A USAID Project Committee will be formed to oversee Project implementation. Regular USAID/PRD Action Checklist Meetings will review Project progress.

The Personal Service Contractor (PSC) hired as Project Coordinator will:

- act as counterpart to the Project technical assistance team leader and authorized Bolivian Government representative for decision making and backstopping on routine implementation matters;
- generate quarterly implementation reports and ensure that reports for which others associated with the Project are responsible are submitted on a timely basis;
- make frequent field visits to observe Project work with PAPO's and submit trip reports with observations and recommendations;
- alert the Project Manager to situations or issues requiring Project Committee and/or USAID management action;
- monitor Project procurement and the Project budget to ensure compliance and facilitate implementation;
- maintain a complete Project file for evaluations, audits and general implementation purposes;
- draft implementation letters and other official and unofficial documents for issue by the Project Management;
- arrange documentation and logistics for, and supervise performance of, periodic evaluations; and
- carry out additional monitoring responsibilities as identified in AID Handbook 3, Chapter 11 and by the Project Manager.

The PSC Project Coordinator position will be advertised in the U.S. and selection will be made according to full competition procedures.

## B. Evaluations

The Project evaluation plan conforms to and complements the flexible design nature of the Project. More frequent evaluations than normal for a USAID Project are programmed to facilitate the availability of complete data from which Project adjustments and redirections may be made.

The Project evaluations will examine internal consistency and the viability of activities to achieve the Project purpose. They will scrutinize progress towards accomplishment of the Project purpose and seven Project sub-purposes (see Section II.E.) and suggest refinements as necessary. The evaluations will be timed so that their results may be considered at four major implementation decision points.

### Point 1 - Initial Assistance Implementation

The first mid-course evaluation will take place twelve months after Project initiation. This evaluation will analyze the contract technical assistance team composition and performance plus PAPO expressions of interest and initial Organizational Development Strategy (ODS) plans developed to better evaluate the PP design and adequacy of Project resources to meet projected demands. It will also determine what baseline information is required for later evaluations and will provide a plan for obtaining and updating this data.

### Point 2 - Initial Assistance Effectiveness

After approximately eight more months, the second evaluation will examine the effectiveness of the Project in selecting PAPO's for primary and secondary group assistance, the anticipated Project coverage in terms of regions, crops and organization types, the likelihood of success in establishing models for replication, the effectiveness of use of project inputs, performance and composition of the contract technical assistance team, and the plans and/or initial progress of implementing the newsletter, environmental and studies activities. It will also examine both the small grant and credit programs.

### Point 3 - Impact and Priority of Assistance

The third evaluation will be conducted in approximately the thirtieth month of project implementation. It will cover some of the points mentioned above, but be primarily concerned with the effectiveness of Project assistance by: (1) comparing progress toward PAPO fulfillment of their organizational goals both with and without Project assistance, and in light of present GOB sector policy; and (2) changing the distribution of Project implementation efforts (personnel and budget) to improve Project impact. The evaluation will also again measure progress toward meeting the Project purpose and sub-purposes.

Point 4 - Planning for Close-Out

The final mid-course evaluation will concentrate on Project continuity, post close-out. It will take place six months before the end of project date and examine the capabilities of UCF's/Financieras, consulting firms, regional chambers, and/or the DDCs to undertake some or all Project activities, the design of the feasibility study(s) and appropriateness of the formation of a national agricultural chamber and/or advisory service, the continuation of environmental awareness activities and newsletter, and possible USAID-funded follow-on activities.

There will also be a final, impact evaluation timed to coincide with Project close-out.

In order to ensure the continuity and maximize the effectiveness of the evaluations, negotiations will be conducted with USAID's Technical Support to Missions (TSM) contractor to provide the above evaluation services. The use of TSM personnel on all evaluations will help ensure the quality of evaluation reports by keeping experienced people on the evaluation teams.

C. Audit

The Project budget provides for an audit of activities and finances. The audit is scheduled for month 32 of Project implementation. A Bolivian firm will be contracted to perform the audit.

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## VI. A. Technical/Financial Analysis

This Technical Analysis covers: a description of the organizations which may become Project clients; a discussion of the actual and possible services which could be provided by the PAPOs to their members; and, an analysis of the present delivery mechanisms for agricultural services compared to those recommended for the Project.

### 1. PAPO Descriptions and Assistance Requirements

During Project design, an intensive review of existing producer organizations in seven Bolivian departments was made by design team members. Thirty-two potential client organizations were visited to enable accurate categorization of organization types, their operational and functional status, and their perceived problems and needs. The Target Institutions Description Annex of the PP describes twenty-nine of these in detail (e.g. budget, area covered, principal crops, current services to members, needs, etc.). The following Institutional Matrix summarizes part of the information contained in Annex F.

The matrix and detail contained in Annex F indicate that most of the organizations interviewed meet the minimum standards suggested in the PP for pre-qualification. Also, the Institutional Summary Matrix shows that the two overwhelming, constantly reiterated themes among interviewed organizations were the needs for technical assistance and credit. Every organization, without exception, said they needed TA. Every organization, but one, said they needed the help of a marketing specialist, while all but four asked for production assistance (usually for quite specific problems which they had already identified), and all but six believed they needed help in administration/management. There are nine organizations with computers or planning to buy one soon, and all requested aid in establishing systems and/or improving and expanding their present, limited use. In credit, all but one said they needed working capital, and something over half wanted investment capital. Some of the latter have specific projects in mind, but lack feasibility studies or need help in better defining and planning projects.

Some of the figures can be deceptive if one is not aware of the quality differences among organizations. For example, FENCA has a single, all-purpose, poorly paid "cooperative technician" while the CAO has 18 professional staff members. This must be kept constantly in mind when interpreting the figures.

### 2. Possible Services

A variety of inputs/services are presently offered by various PAPOs to their members, and most are desirous of adding additional ones. On the other hand, many other organizations are barely beginning to establish themselves in the service delivery business. The principal criteria for a PAPO offering a service under this Project will be that it will increase the individual member's production and income, and that it will also generate

income for the organization. Following are five "needs groupings" of agricultural services taken from the interview data described above. They appear to be valid country-wide, with little, or no, obvious variations among regions of the country. Fulfillment of each of these needs may be successfully assisted by the Project if the factors noted herein are considered.

INSTITUTIONAL SUMMARY MATRIX

1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	21	22	23	24	25	26	27	28	29	30	31	32	33	34	35	36	37
1.	CAO	2	(10)	x	x	x	x		x							x													x		x		x	x	x	
2.	ADA	1	249	x	x	x	x	x	x							x		x		x	x				x	x				x	x	x				
3.	ASOFRUT	1	3250	x	x	x	x	x	x	x						x			x								x			x	x	x	x	x	x	
4.	FENCA	2	8000	x	x	x	x	x	x	x						x			x									x		x	x					
5.	ANAPO	1	1640	x	x	x	x	x	x	x						x													x	x	x					
6.	ADEPA	1	50	x	x	x	x	x	x							x	x		x	x							x		x		x	x	x			
7.	PROMASOR	1	1096	x	x	x	x	x	x							x			x								x		x		x	x	x			
8.	FEGRASACK	2	5000	x	x	x	x	x	x							x			x										x		x		x	x	x	
9.	CARAI	2	(5)	x												x													x		x		x	x	x	
10.	ASOGAN	1	100	x	x	x	x	x	x							x													x	x	x		x	x		
11.	ASOLECHE	1	65	x			x	x	x	x						x			x										x		x	x	x	x		
12.	COINGA	2	350	x	x	x	x	x	x							x			x										x		x	x	x	x		
13.	ADEPACH	1	156	x	x	x	x	x	x	x						x			x										x		x	x	x	x		
14.	ASOVIT	1	660	x	x	x	x	x	x							x			x										x		x	x	x	x		
15.	ASJAVI	1	163	x			x	x								x			x										x		x	x	x	x		
16.	ASJAVI	1	163	x			x	x								x			x										x		x	x	x	x		
17.	APOGRA	1	300	x	x	x	x	x	x							x			x										x		x	x	x	x		
18.	CAP	2	(4)	x	x	x	x	x	x	x						x														x		x	x	x	x	
19.	CACH	2	(15)	x	x	x	x	x	x							x														x		x	x	x	x	
20.	AGROGENI	2	4400	x	x	x	x	x	x							x														x		x	x	x	x	
21.	ASOPROHL	1	597	x	x	x	x	x	x	x						x			x										x		x	x	x	x		
22.	ADACUCH	1	36	x	x	x	x	x	x							x			x										x		x	x	x			
23.	QUINSECC	2	3000	x	x	x	x	x	x							x			x										x		x	x	x	x		
24.	ASOPROLE	1	1200	x	x	x	x	x	x							x			x										x		x	x	x			
25.	ASUAFI	1	60	x	x		x	x	x							x			x										x		x	x	x			
26.	APP	2	40000	x	x	x	x	x		x								x	x	x	x								x		x	x	x	x		
27.	ARADU	1	2200	x	x	x	x	x	x										x	x	x								x		x	x	x	x		
28.	ASOFLOR	1	24				x	x	x										x											x		x	x	x		
29.	CENAROMA	1	(18)	x	x	x	x	x		x									x											x		x	x	x		
TOTALS			75716	29	25	24	29	27	24	15	1	0	7	3	1	9	8	17	10	11	20	7	14	10	8	17	9	5	11	1	28	16	29	25	28	22

Key to column numbers:

PAPO DESCRIPTION

- |                         |                                   |
|-------------------------|-----------------------------------|
| 1. Name                 | 6. At least 1 paid staff member   |
| 2. Organizational level | 7. Providing some member services |
| 3. No. members          | 8. Open to all producers of crop  |
| 4. Personería Jurídica  | 9. Financially self-supporting    |
| 5. Has office           | 10. Predominately smallholders    |

LOCATION--DEPARTMENT

- |                |                |
|----------------|----------------|
| 11. La Paz     | 15. Potosí     |
| 12. Oruro      | 16. Tarija     |
| 13. Cochabamba | 17. Santa Cruz |
| 14. Chuquisaca |                |

PRODUCT CHARACTERISTICS

- |                             |                          |
|-----------------------------|--------------------------|
| 18. Labor intensive         | 25. Imported currently   |
| 19. Capital intensive       | 26. Processing required  |
| 20. Mechanized operations   | 27. Animal product       |
| 21. Manual operations       | 28. Fruit and vegetables |
| 22. Domestic demand limited | 29. Field crop           |
| 23. Domestic demand elastic | 30. Other                |
| 24. Export potential        |                          |

NEEDS

31. Working capital needed
32. Investment capital needed
33. Technical Assistance needed
34. Production
35. Marketing
36. Administration/management
37. Computer

ACRONYMS

CAO:	Cámara Agropecuaria del Oriente
ADA:	Asociación Departamental de Avicultores
ASOHFRUT:	Asociación de Horticultores y Fruticultores
FENCA:	Federación Nacional de Cooperativas Arroceras
ANAPO:	Asociación de Productores de Oleaginosas y Trigo
ADEPA:	Asociación de Productores de Algodón
PROMASOR:	Asociación Nacional de Productores de Maíz y Sorgo
FEGASACRUZ:	Federación de Ganaderos de Santa Cruz
CAMAT:	Cámara Agropecuaria de Tarija
ASOGAN:	Asociación de Ganaderos del Gran Chaco
ASOLECHE:	Asociación de Lecheros (Tarija)
COINCA:	Cooperativa Integral Campesina
ADEPACH:	Asociación de Productores de Algodón del Chaco
ASOVIT:	Asociación de Viticultores
ASOAVI:	Asociación de Avicultores
ASCABE:	Asociación de Caneros de Bermejo
APOGRA:	Asociación de Productores de Oleaginosas y Granos
CAP:	Cámara Agropecuaria de Potosí
CACH:	Cámara Agropecuaria de Chuquisaca
AGROCENT:	Centro Local de Cooperativas Agropecuarias
ASOPROHL:	Asociación de Productores de Hortalizas y Legumbres
ADACOCH:	Asociación Departamental de Avicultura (Cochabamba)
COINSECO:	Cooperativa Integral de Servicios Cochabamba, Ltd.
ASOPROLE:	Asociación de Productores de Leche
ASOAPI:	Asociación de Apicultores
APP:	Asociación de Productores de Papa
ARADO:	Acción Rural Agrícola de Desarrollo Organizado
ASOFLOR:	Asociación de Floricultores
CENAROMA:	Central de Cooperativas Aroma

a. Marketing

Market Information Most frequently, members market their produce individually, but depend on a PAPO for information. The information can be formal, although informal information exchange is most common. All producers need this type of service; however, actual PAPO effectiveness in supplying it ranges from good to poor. The main problem is that market information for most crops is almost non-existent in Bolivia. The Commodity (6) and Policy (4) Studies to be performed under the Project are, for the most part, to provide an in-depth analysis of the markets for selected crops, plus other related policy issues. It is also envisioned that the PAPO Newsletter could contain articles on marketing, including price and quality control information.

Group Marketing In some PAPOs, members market all, or part, of their produce through the PAPO. A variation is when members deliver their produce to a processor under the rules and regulations of a PAPO. The actual services provided are wide-ranging and can include: transportation, weighing and grading, credit advances, storage, primary processing and wholesaling. For most organizations offering these services, and for several more hoping to do so, group marketing is the only answer, given the vast inefficiencies involved in doing it individually. Technical assistance, training and credits for group marketing will be offered to the PAPOs under the Project when appropriate.

b. Financial Access

Guarantor The PAPO serves as a conduit for ICI approval of individual annual production loans based on guarantees provided by the PAPO. The availability of short and long-term credit is often dependent upon the borrower's ability to provide collateral. In many cases, the individual members of the PAPOs cannot satisfy these requirements and the organization (either collectively using the assets of the PAPO, or using the personal assets of several of the members) has guaranteed a line of credit. To many PAPO members this represents the only credit source available. It is the type of credit service which may be assisted by the Project.

Lending The PAPO, through the use of its own funds, or as a recipient of outside funds, sometimes acts as a financial institution for its members in the granting and repayment of credit. This service is often the result of a PAPO's relationship with an outside donor which made credit funds available. It often does not exist with enough funds to resolve all member credit needs. While most members might find this service worthwhile due to lower interest rates, lower guarantee requirements, and more lenient repayment schedules, it is sometimes a service which is not an income earner for the PAPO. If, during the design of the Organizational Development Strategy, this service has the potential of being run on a sound financial basis, it should receive Project support. If, however, it is decided that the service is a deterrent to the organization, and cannot be made to function correctly, Project aid will not be given.

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Savings Although not a specific Project assistance objective, a few instances exist where PAPO's assist their members with savings programs, and such programs may be amplified or replicated. There are a number of possible mechanisms for promoting savings and/or PAPO capitalization. The Project implementation team may decide to explore the opportunities and demand for savings and investment mobilization after development of a PAPO's ODS. The mechanism will then be developed through a short-term consultancy and be tailored to the specific PAPO.

c. Input Supply

This service normally begins with the bulk purchase of a large quantity of agro-chemicals or other agricultural inputs, often imported directly. These are then provided to members on credit, or for sale at cost plus expenses. At times, the PAPOs charge a fee for this service, while at other times, the fee is included in the interest rate or price charged. As is the case with credit, Project support for these services will be related to their actual, or forecasted, economic viability. In many cases, this PAPO service has filled a niche where the private sector was not functioning, or was functioning at exorbitant prices. In some of these cases, private sector firms have entered the market at a later date and have begun to "out compete" the PAPO. The Organizational Development Strategy should consider the potential for competition from, or cooperation with, private sector firms in assessing the relative worth of this service and its ability to generate income for the organization.

d. Technical Assistance

The PAPOs tend to provide technical assistance to their members through both formal and informal means. The former entails the hiring of advisors in specific fields (agronomy, horticulture, animal husbandry and medicine, accounting, etc.), whose salaries are paid out of general revenue, or from outside grants. The latter, on the other hand, involves certain PAPO members with advanced skills demonstrating them to other members. The provision of technical assistance is often invaluable to members, but it also is often very difficult to devise collection mechanisms which will be fair to all members. Farmer-members are often reluctant to pay for a service whose results are not immediately, or clearly, measurable. Project support should therefore be directed toward making the technical assistance more relevant, and of a higher impact, so that members will be more willing to pay. Alternatively, it could be directed toward the strengthening of other services for which fees could more easily be charged.

e. Lobbying

Perhaps the least understood, but potentially most effective service a PAPO can offer is in the area of representation, negotiation and lobbying. Government policies and private sector practices can often run counter to the best interests of PAPO members. If they are not organized to speak with a unified voice, producers' needs and desires will likely go

unmet. The Project Commodity and Policy Studies, by providing complete, documented information which may be used to present a good case in favor of PAPO arguments, will aid the PAPOs in representing their memberships. Additionally, technical assistance will be provided to allow the PAPOs to become more professional and administratively efficient, thereby affording them more respect.

Care, however, will be taken with respect to providing assistance to PAPOs which are active in both the representation and production/marketing service delivery areas. In the U.S. and other more developed countries, separation of these functions has proven necessary. For example, if the same organization is both pressuring the GOB to lower import duties on farm inputs and requesting loan refinancing from the Central Bank for members' credit needs, it is unlikely that both will be accomplished at the same time. The representation function might best be kept at the regional chamber level, i.e. those organizations which count a number of PAPOs as their members, such as the Eastern Agricultural Chamber-CAO, while the production and marketing service function is developed by the PAPOs belonging to the chambers. The decision as to whether to assist a PAPO to develop its representation capability will depend on the ODS analysis of its organizational objectives and an evaluation of the appropriateness and potential of assisting development of this capacity for the specific PAPO.

## 2. Delivery Mechanisms

### a. Existing Agricultural Organizations

Private firms--Existing agricultural technical assistance firms are of two types: consulting firms providing sub-project design services, normally for a fee plus a percentage of the sub-project value,<sup>1/</sup> and companies providing specific technical assistance stemming from the sale of a particular product (tractors, baby chicks, seed, etc.).<sup>2/</sup> Both types of firms do exist in Bolivia as do marketing, storage and other private sector entities, but they are few, and potential clients often do not know of the sources to which they can turn for help. The Project will provide a number of local, short-term consultancy contracts to these private firms for the provision of technical assistance to and through PAPOs. The intention is to help stimulate interaction between PAPOs and these private firms, to the degree that such increased interaction helps to strengthen the PAPOs.

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- 1/ USAID has worked with some of these firms in the past. Examples are: Prudencio Claros and Associates; Vivado and Associates; and the Bolivian Center for Industrial Productivity (CBPI).
- 2/ For example: Commercial and Industrial Agriculture Company (SACI - tractors and agricultural inputs); Commercial Agricultural Service Company (SAC - agricultural inputs); and National Agricultural Company (baby chicks).

Producer Organizations--The Target Institutions Description Annex details the range of services being provided by the many PAPOs likely to be included in the Project. They include: market information and group marketing, input supply, credit, technical assistance and representation. For the most part, these organizations are weak and unable to implement service delivery to their full potential. Almost all can be improved in most regards.

Agricultural Service Cooperatives--At one time many more agricultural service cooperatives existed in Bolivia than is the case today. Those which succumbed appear to have done so due to undercapitalization, poor leadership, and loose administration. The remaining ones have access to at least some degree of outside support or subsidies. Further emphasis on profitability and income generation is needed in the cooperative sub-sector. Those which can meet the eligibility criteria established by the Project may be assisted along with non-cooperative type PAPOs. For example, the Integrated Cooperative of Yacuiba (COGRACH), the Integrated Cooperative of Cochabamba (COICO), and the Northern Santa Cruz Cooperativa (CONOSO) may be Project assisted cooperatives.

Public Sector Organizations--These organizations fall into two categories: those involved in traditional governmental agricultural services, such as research and extension, <sup>1/</sup> and those which are "business ventures" which have been taken over, or were established by the government. The former are all but non-functional, while the latter are inefficient and almost always run at a loss (rice milling and storage, <sup>2/</sup> the sugar mills, <sup>3/</sup> the milk processing facilities, <sup>4/</sup> etc.).

b. Appropriate Services for PAPOs

There is not much hard evidence as to which services are the most appropriate for a PAPO, as opposed to a private firm, for example. Proper fit relies upon members' needs and the perceived worth of the service by members relative to obtaining the service from alternative sources. The true measure of efficiency and viability of a PAPO providing a specific service depends upon the organization's ability to be flexible and to provide the service in response to members' expressed needs.

Obviously, where there is overlap of services, or strong competition from other sources, it will be wise to study the advantages of a PAPO continuing to provide a service. When there is overlap or competition, possibilities should be explored of contracting-out the service to the alternative source, or entering into an agreement which provides preferential treatment to PAPO members.

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- <sup>1/</sup> For example, the Bolivian Institute for Agricultural Technology (IBTA), the Tropical Agricultural Research Center (CIAT), and the National Institute for Colonization (INC).
- <sup>2/</sup> For example, the National Rice Enterprise (ENA) operation in Santa Cruz.
- <sup>3/</sup> The Guabira and Bermejo Sugar mills, recently of the Bolivian Development Corporation, are examples.
- <sup>4/</sup> All of the Milk Industrialization Plants (PIL) fall into this category.

## VI. B. SOCIAL SOUNDNESS ANALYSIS

This analysis contains the following components:

- a description of the social categories of agricultural producers and their types of producer organizations;
- a description of the direct and indirect beneficiaries and an estimate of their numbers;
- a description of the participatory approach of the Project, its potential benefit spread, and its replicability;
- an analysis of the main constraints to Project benefit spread and recommendations on how to deal with them;
- an analysis of the potential negative effects and recommendations on how to minimize them; and lastly,
- an analysis of the social feasibility of the Project.

More detail is contained in the Social Soundness Annex.

### 1. Social and Organizational Composition of the Agricultural Sector

#### a. Participating Groups

Three social categories of agricultural producers can be differentiated on the basis of their production strategies, their market participation, and their socio-cultural characteristics. The largest category is made up of independent campesino (peasant) producers. Of the 2,800,000 rural dwellers identified in the 1978 census, the vast majority were defined as campesinos. They are of Quechua, Aymara, Guaraní, and other ethnic origins. Over the past thirty years, campesino producers have been gradually shifting from a subsistence to a market-oriented production strategy as they have become increasingly integrated with the rest of the nation. They are small-scale, labor intensive producers located mostly in the densely populated altiplano and intermountain valleys. Farm size is generally small and ranges from .5 to 5.0 hectares.

A second set of agricultural producers is the result of increasing population density in the altiplano which has induced a growing number of campesinos to migrate and settle in the sparsely populated tropical lowlands. These agricultural producers are known as colonos (settlers) which indicates a process of socio-economic, as well as geographic mobility. They number approximately 130,000 families in four settlement areas in the lowlands.

Colono settlement in these lowland areas involves a market-oriented production strategy. One or more crops are produced for the market, while others are grown for family subsistence. Although colonos have

far larger parcels of land (20 to 50 hectares) than campesinos, they face similar types of agricultural development constraints including: insufficient access to markets, limited or non-existent infrastructure (e.g. roads, electricity), high transportation costs, and, in the past, unfavorable agricultural policies.

The newest, but most influential, category of agricultural producers is made up of urban-based farmers. The term "urban based" is used to signify a farmer who normally lives away from the farm site in a primary or secondary city or town, is more highly educated than traditional campesino or colono farmers, and in many cases is a professional or is employed in a well-paying position which serves or has served as his primary source of income. In increasing numbers, such non-traditional farmers are turning to selected high-technology, capital-intensive agricultural activities as supplementary sources of income. These non-campesino producers also face agricultural development constraints including: lack of sufficient and reliable market information, non-access to financial resources, a lack of technical assistance, and unreliable input supplies.

#### b. The Organizations

At the primary level, and reflecting the order in which they emerged, agricultural producers are organized in the following types of organizations:

Agrarian Unions ("Sindicatos") are the most widespread type of organization among campesinos and colonos. Created to implement the agrarian reform and to get access to land in the settlement areas, agrarian unions primarily have been lobbying organizations, frequently manipulated by governments and political parties. More recently, and as a result of the need for increased campesino participation in the marketplace, agrarian unions are seeking ways to turn their existing organizations into service-oriented ones. To this end, several sindicatos have created agrarian development corporations (CORACA's) to provide production services to their members.

Cooperatives are the second most common agricultural organization. Although a large number of cooperatives have been modeled after the agrarian unions, there are a limited number of well established cooperatives in different regions of the country providing services to members. The membership of cooperatives tends to be more heterogeneous, including "non-campesino," urban-based producers among their members.

Producer Federations are found in the settlement areas among producers of commercial crops. These are formed around a single crop, normally as a response to a single buyer for the commodity, and function mostly as regulating organizations. They also formerly negotiated prices with the GOB and presently provide some services to members.

Producer Associations\* are the newest type of organization. The members in many cases include urban-based producers, although most of them also include campesino producers as well. (There are at least two campesino-dominated producer associations: the National Coffee Producers' Association and the Potato Producers' Association of Cochabamba.) Their distinctive feature is their specialization in a single commodity and service orientation. They also officially represent all producers of a given crop in a region. Although initially formed as lobbying organizations, most offer some production and marketing related services to their members.

## 2. Project Beneficiaries

The Project will benefit an estimated 30 PAPOs selected from the types of agricultural organizations described above. PAPO selection criteria emphasize an organizational structure that is geared to service delivery and has the greatest potential of benefit spread. PAPOs with these characteristics can potentially benefit all producers of a given crop in a region. Direct benefits will go to active members; however, many non-client PAPO producers of a given crop will receive indirect, spread effect benefits from various Project financed activities, such as studies, introduction of improved production technologies, etc. It is estimated that the 30 selected PAPOs targeted under this Project will have a total membership of approximately 24,000, plus their families, and that the number of indirect beneficiaries i.e. non-client PAPO producers of the same crop or in the same region, will be about double that figure. With an average family size of 5 persons, this means that direct beneficiaries would be approximately 120,000 and indirect beneficiaries about 240,000.

Other beneficiaries will be individuals and/or consulting firms employed to provide assistance to and through the PAPOs. Linking PAPOs to national sources of technical assistance will generate employment for these professionals, making them beneficiaries as well. The spread effect of Project successes will also cause consumers, agro-industries, transportation businesses, etc. to benefit.

Successful PAPOs can be replicated throughout the sector and among all producer categories. This is being demonstrated by the current proliferation of nascent service associations throughout the country, imitating the models of some producer organizations in Santa Cruz. This replication is the key to greater impact and larger numbers of beneficiaries. For example, the relatively successful umbrella organization level PAPO of Santa Cruz, the Cámara Agropecuaria del Oriente (CAO), which counts ten producer level PAPOs as its members, each member being concerned with a particular crop or product within the region, is already being used as a model for replication consideration in other regions.

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\* Producer Associations and Producer Federations are grouped elsewhere in the PP as Producer Associations because distinction between them is not necessary for general project design or implementation purposes.

### 3. Participatory Approach

The participatory approach of the Project is based on a direct relationship between the needs of the individual producers and the services offered by the PAPOs. Producer incentives to form and support an organization depend on the capacity of the organization to respond to members' demands.

The Organizational Development Strategies to be designed as an initial step in aiding a PAPO will be joint efforts between each targeted PAPO and the Project Staff. The organizations will take the initiative in proposing specific assistance activities which may then be approved and supported in the Organizational Development Action Plans as justified by Project selection criteria.

### 4. Constraints to Project Implementation

Three types of constraints can affect a PAPO's ability to become an effective service delivery organization.

The first is the long history of political manipulation of rural and agricultural organizations, especially in the case of agrarian unions. In the past, the provision of resources and services to and through these organizations has been used to manipulate the political behavior of members. The current free market government policy, the growing market-orientation of campesinos, and the lack of government services and resources, has created favorable conditions to induce producers to seek independent, profitable, service oriented organizations. This type of organization is less subject to political manipulation by outsiders. The Project will assist PAPOs in their attempts to become independent, profitable and service oriented, and will avoid involvement with those organizations which are and will continue to be primarily political in nature.

The second constraint is related to the socio-economic and cultural characteristics of the members of these organizations. Low income, non-Spanish speaking, agricultural producers in isolated rural communities are less likely to have the resources and/or the skills needed to operate an effective PAPO, than would the urban-based professionals. Therefore, the Project will offer different levels of assistance, and will tailor its support to the needs and characteristics of each PAPO. Outside individuals, consulting firms, or private voluntary organizations may be contracted to provide managerial and technical assistance to disadvantaged PAPO's.

The third and most important constraint is related to the "openness of membership" of each PAPO. Closed organizations, where membership and contributions are limited and unrelated to services, are common, not only in the agricultural sector, but throughout Bolivia. The Project's selection criteria have been designed to deal with this constraint. As such, the Project will tend to exclude closed organizations, and motivate producers to seek a more open and effective organizational structure which is available to all producers of a crop in a given region.

### 5. Potential Negative Effects

The design of the Project, with its response to demand approach, tends to favor non-campesino dominated producer organizations. The better educated, higher-income producer members found in this type of PAPO have the resources and skills that will allow them to benefit quickly from the Project's resources. Conceivably, campesino and colono dominated PAPO's could not only be excluded from the benefits of the Project, but by not improving their productivity, could become unable to compete in the market. Recognizing this potential negative effect, the Project will emphasize the selection of open membership PAPOs and make an effort to work with campesino oriented PAPOs.

### 6. Social Feasibility of the Project

The role of past governments in determining the prices of agricultural commodities and in the provision of agricultural resources and services has been the main incentive for farmers to organize and form PAPOs. The main function of these PAPOs in the past has been lobbying and representation. In the past, for the most part, PAPOs have been lethargic organizations, only activated occasionally in an attempt to try to influence the allocation of government services and resources to each subsector, region, or organization. The past five years of generalized crisis in the country have had a considerable impact on the incentives of producers to join and support PAPOs, as well as on their expectations of what their organization should or could do for them.

Some of the factors which have served to stimulate the resurgence of PAPOs as service organizations are: the government's lack of resources to provide services to the agricultural sector, the GOB's free market policy, the scarcity of private sector service firms, the lack of employment opportunities in the urban public and private sectors, the growing market participation and integration of campesino producers, and the selective entry into agricultural activities by a growing number of urban-based professionals.

These factors contribute to making service-oriented PAPO's not only viable, but perhaps the only solution to the serious, current service related problems confronting all agricultural producers. These factors also make the Project socially feasible.

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## VI. C. ECONOMIC CONSIDERATIONS

### 1. Overview

If successful, this Project will enable a wide range of agricultural producer associations to deliver important services to their farmer members. Such services will either enhance productive capacity (e.g. by making available improved seed or fertilizer) or will stimulate an increased response to improved markets (e.g. through the provision of crop storage capacity or by making available reliable market new information). In this context, the success of the project will be largely defined by the economic return that it produces.

Nevertheless, it is not possible before initiation of the Project to predict with any degree of reliability what its quantifiable economic return will be. This is because the Project itself will determine which producers' organizations will participate. Only then, can the numbers and types (by crop) of farmers who will benefit (and how they will benefit) be determined.

### 2. Demand-Pull

As noted in the project description, an underlying principle of the PAPO Project is USAID/Bolivia's demand-pull strategy. Demand-pull refers to the stimulation of productivity of a primary product (e.g. potatoes) by the development of a reliable, remunerative market for that product. For example, the location of a ketchup plant near an agricultural area could result in a substantial increase in the quality and quantity of the local production of tomatoes, assuming that the owners of the plant clearly established a policy of paying promptly and well for acceptable produce.

Under the PAPO Project, the selection of producers' associations to participate in the project will be based, in part, on the market potential for the products grown by association members. An aspect of the demand-pull strategy is that, as farmers begin to respond to the market demand for their products, they will attempt to improve the magnitude and quality of their production; that is, they will begin to establish an auxiliary demand for improved agricultural services.

Other active or planned USAID/Bolivia projects seek to stimulate the development of, and investment in, agro-industries with clearly established linkages to local farm production. As these projects succeed in increasing effective demand for basic farm products, farmers will want to increase their incomes by expanding and improving the quality of their production. Because the credit, inputs and other factors they require cannot be provided by the government, PAPOs offer a unique means to supply the critical means to expand productivity.

Considered from an economic perspective, the Private Agricultural Producers' Organization Project will serve as a catalyst to facilitate the operation of supply-demand functions in the agricultural sector. It will do this by providing an effective means of responding to an increased demand by farmers for the necessary factors of production that will enable them to improve the output of their farms.

### 3. Economic Case Study

Under the terminating USAID/Bolivia Agriculture Sector II Project, \$5 million was invested in developing a seed industry, largely through the involvement of private regional seed producers' associations. Between 1983 and 1985, the project resulted in the production of over \$10 million in seed, \$4.5 million of which was produced during the most recent agricultural season. As a direct result of this, Bolivia is now 100 percent self-sufficient in the production of soybean seed, 50 percent in both native and hybrid corn varieties, 30 percent in rice, 10 percent in cotton, and 10 to 15 percent in potatoes. (Substantial progress was also made in the production of the improved varieties of wheat seed grown in the Santa Cruz region.) The seed now produced as a consequence of the Agriculture Sector II project replaces seed that was previously imported into Bolivia. Given the severity of Bolivia's economic crisis, the foreign exchange savings in seed imports are making an important contribution to the economic recovery of the country. Future savings should be even more substantial.

Other economic multipliers have also resulted from the successful evolution of the private sector seed industries. Farmers now have a reliable, remunerative market for the high quality seed they can produce. Seed production, in effect, has become a new and lucrative small farm endeavor. Marketing of domestically produced seed has also become a provider of new sources of employment and income.

### 4. Economic Intangibles

The collapse of international tin and hydrocarbon markets has severely threatened the successful outcome of the Bolivian Government's generally excellent economic recovery program. The austerity aspects of the program have produced impressive results in virtually halting hyperinflation and bringing down the fiscal deficit of the public sector. Nevertheless, these aspects have also produced a marked economic recession in the country, a fact which has been exacerbated by the collapse of the markets for the country's most important foreign exchange earning exports.

In the absence of good market conditions for tin and hydrocarbons, the Bolivian Government has determined that agriculture offers the country the best possibilities for the promotion of new economic growth. In this context, the PAPO Project is a vital component of an agriculture-led economic recovery strategy.

VI. D. ADMINISTRATIVE ANALYSIS

USAID

Project management will be assisted by a U.S. TCN or Bolivian Personal Services Contractor (PSC) hired at the beginning of activities by USAID/Bolivia for the life of the Project. This person will be based in the Private Sector and Rural Development Division of USAID (USAID/PRD). The scope of work for this position is contained in PP Section IV.A. "Implementation Plan - Responsibilities." As Project Coordinator/Assistant Project Manager for USAID he/she will report to the U.S. direct hire Project Manager who will also be assisted in his/her administrative tasks by a Mission Project Committee.

Technical Assistance Team

The rest of the Project personnel will be hired through an institutional contract between USAID/Bolivia and a U.S. private firm, private voluntary organization (PVO) or university. Competitive technical proposals will be analyzed to select the consultant organization. Resumes of the four proposed Organizational Development/ Analysis Experts, and one Resource Procurement Expert will be part of the proposals submitted by competing organizations. The remaining nine positions will be filled in-country by the consultant organization. The selected firm, PVO or university will backstop the in-country Project team in procuring the 300 person/months of short-term technical assistance and Project commodities.

Annex I contains a draft PIO/T to be used in the issuance of a Request for Proposals (RFP) for selecting the technical assistance organization. It, as well as PP Section II.E. "Inputs", contains details on requirements and criteria for contract.

Host Country Counterpart

During Project preparation, several alternative Bolivian counterpart administrative mechanisms were considered. These included: a governmental agency, such as the Ministry of Agriculture or Planning, the establishment of a national level agricultural chamber during the life of the Project, the Agricultural Chamber of Santa Cruz, various Bolivian and U.S. non-governmental institutions, and a tie-in to the management mechanism established under the USAID Rural Development Planning/Departmental Development Corporations Project.

A governmental ministry or institution was ruled out almost immediately due to their low levels of resources, ineffective service delivery history, politicization and the private sector orientation of the proposed Project. A national level chamber would have to be established from scratch, and almost imposed from above, since there does not appear to be much consensus among the departmental chambers as to how it would be formed, what services it would offer, and how it would be funded. Additionally, as is demonstrated in the Social Soundness Analysis, there exists a polarization in the Bolivian agricultural sector which distinguishes between campesino and "urban-based" farmers, with the latter tending to belong to the better developed chambers in far greater numbers than the former.

The Cámara Agropecuaria del Oriente\* (CAO) in Santa Cruz is a well established agricultural chamber and is perceived as being valuable to the ten producer organizations which comprise its membership. Nevertheless, if it were to be relied upon as AID's implementation counterpart for the entire Project, there is little likelihood that many resources would find their way outside of Santa Cruz. No non-governmental organizations were found which have the national scope required or the non-political, production orientation necessary for a project of this type. Nor was a specific U.S. non-governmental organization-NGO (including Gray Amendment organizations) identified with obviously superior capabilities and experience to allow USAID/Bolivia to target the implementation function to such an organization.

However, the technical assistance contractor will be selected through full and open competition under an RFP issued by the Regional Contracting Officer. As a number of the most qualified contractors in this field are minority firms, it is quite possible that award will be made to a Gray Amendment organization, thereby continuing the Mission's outstanding record for awards to minority and woman-owned organizations. An 8a setaside was considered but was determined to be inappropriate in this case.

The implementation mechanism of working with systems already established under the USAID Rural Development Planning/Departmental Development Corporations Project (RDP/DDC), however, represents an opportunity to avoid the drawbacks of the alternatives and capitalize on previous work and experience. The RDP/DDC Project Agreement was signed with the GOB Ministry of Planning and Coordination (MOPC), as will the PAPO Project. The RDP/DDC Coordinator for the Government of Bolivia and MOPC will also be the authorized GOB representative for this Project, thereby improving coordination of the activities of these two similar, but separate development efforts. The Project Coordination Unit office established under the RDP/DDC project is nationwide in scope, independent of GOB budgets and geared to work with both the private banking system and the financial credit units established under the RDP/DDC Project (UCFs), attributes and capabilities which are desirable for the PAFO office and which may be more easily gained through close association. Therefore, the proposed implementation mechanism for the PAPO Project is to contract with a competitively selected consultant entity (a cooperative agreement, if a PVO) which will work independently, but closely, with the Coordination Unit of the RDP/DDC Project. This mechanism has also been selected by the GOB/MOPC, as described in its request for this Project contained in PF Annex D.

The administration of the RDP/DDC and PAPO projects will be kept separate, although the offices will be contiguous to improve communication between the two projects' staffs. Each project is expected to have its own chief and technical team, but considerable coordination and informal lending of expertise between the projects is anticipated. Indeed, assistance with many of the business and organizational management skills which the PAPOs will require is presently available through the RDP/DDC Project.

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\* CAO - Eastern Agricultural Chamber - See Annex F for a full organizational description.

Conclusion

This administrative mechanism has been elaborated by the design team taking the factors and alternatives outlined in the Project Description (Section II.E.) into consideration. It is both administratively feasible and has been determined to be the best choice, among available options, for Project implementation. The use of PSC Project Coordinators has been tested and determined to be beneficial to improved implementation on other USAID/Bolivia Projects. The host country counterpart mechanism described has also been found to work well. It is currently being used with good results for implementation of the Agro-Industrial Reactivation Component of USAID's Disaster Recovery Project.

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VI. E. ENVIRONMENTAL CONSIDERATIONS

The Project Strategy acknowledges that, for long-term sustainability of profitable farming, it will be necessary to provide guidance in promoting environmentally sound management practices. A plan for implementing such an environmental education program is contained in the Project Description Section II.E.3.

The Project concentrates on institution building. It is primarily a technical assistance and training project in which Project funded resources will be used to improve selected Bolivian organizations' performance. No Project activities are expected to directly affect the environment.

Therefore, a categorical exclusion from the environmental examination procedures set forth in 22 CFR Part 216 "Environmental Procedures" was recommended after the Project Identification Document was approved. This recommendation was based on the categorical exclusion provisions of 22 CFR Part 216 clauses 216.2 (c)(2)(i) and (xiv) concerning education, technical assistance and training programs for recipient countries and their institutions, when such activities are not designed to have a direct affect on the environment. The categorical exclusion was granted. A copy of the "Environmental Threshold Decision" can be found as Annex J of the PP.

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VI. F. INSTITUTIONAL AND FINANCIAL ANALYSES

Neither of these analyses has been conducted for the Project. An institutional analysis is not appropriate as no central implementing entity is being created nor is there a counterpart agency (GOB or private sector) which either exists or which will be created that the Project implementation technical assistance team will work with. The implementation team itself is described and analyzed fully in various PP sections and PAPOs to receive assistance have not yet been selected.

The decision to not undertake a financial analysis is based on the lack of final selection of PAPOs with which the Project will work and PAPO services which will receive Project assistance. There is no "typical" PAPO or service which may be analyzed to determine financial feasibility for the Project as a whole. This type of analysis will, however, be carried out when specific ODAPs are prepared for each client PAPO. The PP Technical Annex outlines the procedure which will be followed to ensure that Project assistance is offered only for positive economic return, financially viable interventions.

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VII. CONDITIONS PRECEDENT AND NEGOTIATING STATUS

A. Conditions Precedent

To initial disbursement:

1. Designation of authorized representative with specimen signature.
2. Project Implementation Letter (PIL) signed by the GOB, PL-480 Secretariat and USAID/Bolivia which agrees on the allocation of \$6 million peso equivalent of PL-480 funds to be employed as described in the PP cost estimate (PP Section III and Annex H).

B. Negotiation Status

The Minister of Planning's official request for the assistance detailed in the PP is included herein as Annex D. Based on discussions with GOB Ministry of Planning and Ministry of Agriculture personnel, it has been determined that there are no major policy differences between the GOB and AID which might impede early signing of the Project Agreement.

An initial discussion held with the PL-480 Secretariat has indicated that once details concerning amounts and uses of PL-480 funds have been communicated, there will be no delays in signing the PIL required to satisfy the conditions precedent noted above.

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PRIVATE AGRICULTURAL PRODUCER ORGANIZATIONS

Project Paper 511-0589

A N N E X E S

USAID/Bolivia  
June 1986

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ANNEX A  
Pag. 1 of 1

ANNEX A

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E.O. 12356: N/A  
TAGS: N/A  
SUBJECT: PP APPROVAL MARKET TOWN CAPITAL FORMATION  
(511-0573) AND PRIVATE AGRICULTURAL ORGANIZATIONS  
(511-0529)

REFS: (A) STATE 250196 (B) ASSFLIN/DIAZ TELCON OF  
5/20/86

Reply due 5/28

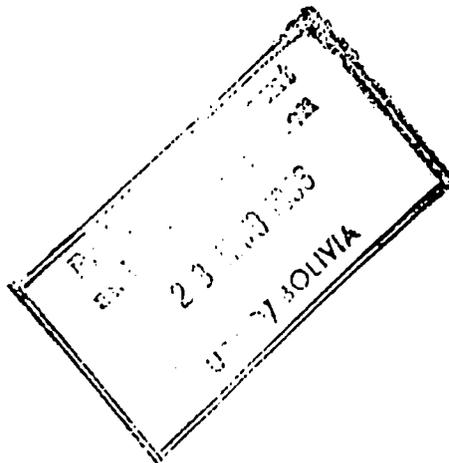
AS INDICATED PARA 8 REF (A), AUTHORITY TO APPROVE  
SUBJECT PROJECTS WAS DELEGATED TO DIRECTOR,  
USAID/BOLIVIA PER DECISION OF FY 1985 REVIEW OF  
MISSION'S ACTION PLAN. APPROVAL AUTHORITY APPLIES TO  
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ANNEX B  
PROJECT DESIGN SUMMARY  
LOGICAL FRAMEWORK

ANNEX B Pag 1 of 5

AFD 101-713 (2-71)  
SUPPLEMENT 1

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

Life of Project:  
From FY 1986 to FY 1990  
Total U.S. Funding \$4,200  
Date Prepared: 5/14/86

Project Title & Number: Private Agricultural Producer Organizations

PAGE 1

NARRATIVE SUMMARY	OBJECTIVELY VERIFIABLE INDICATORS	MEANS OF VERIFICATION	IMPORTANT ASSUMPTIONS
<p>Program or Sector Goal: The broader objective to which this project contributes:</p> <p>To increase agricultural income and marketable surpluses, including exports, from Bolivian farms and ranches.</p>	<p>Measures of Goal Achievement:</p> <p>Animal and agricultural production increasing at end of project.</p> <p>Animal product and agricultural exports increasing at end of Project.</p> <p>Farmer and rancher incomes increasing at end of project.</p>	<p>Analysis of GOB and international organization statistics.</p> <p>Survey of target PAPO membership.</p> <p>Comparison of baseline and end-of-project data collected as result of initial and other evaluations in PP evaluation plan.</p>	<p>Assumptions for achieving goal targets:</p> <p>GOB economic program and privatization policies continue to evolve.</p>

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PROJECT DESIGN SUMMARY  
LOGICAL FRAMEWORK

Life of Project:  
From FY 1986 to FY 1990  
Total U.S. Funding \$4,200  
Date Prepared: 5/14/86

Project Title & Number: Private Agricultural Producer Organizations

NARRATIVE SUMMARY	OBJECTIVELY VERIFIABLE INDICATORS	MEANS OF VERIFICATION	IMPORTANT ASSUMPTIONS
<p><b>Project Purpose:</b></p> <p>To strengthen and expand the capacity of private agricultural producer organizations to provide services to their members.</p> <p>Sub-purpose 1: To define the most appropriate roles for public institutions, private firms and PAPOs for the provision of agricultural development services and to encourage them to assume these roles.</p> <p>Sub-purpose 2: Contract with local private sector technical assistance firms to help resolve PAPO organizational and member problems and stimulate the growth of these firms' capabilities to provide needed assistance.</p> <p>Sub-purpose 3: To improve the capacity of PAPO organizations to influence Bolivia Government policy and otherwise represent their own interests.</p> <p>Sub-purpose 4: To increase communication and information exchange among PAPO organizations and the rest of the agricultural sector.</p> <p>Sub-purpose 5: To stimulate private firms such as input suppliers and marketing organizations to improve and increase services to PAPOs.</p>	<p>Conditions that will indicate purpose has been achieved: End of project status.</p> <p>Target PAPOs providing a broader set of services to members more efficiently.</p> <p>Memberships fully supporting technical/administrative costs of target PAPOs.</p> <p>PAPOs capable of financing project type services.</p> <p>Public sector institutions, private firms and PAPOs will have better understanding of, and contribute more effectively to, agricultural development.</p> <p>Increase in availability and use of private consultant services.</p> <p>Improve policy environment and PAPO influence.</p> <p>Regular issuance of a newsletter perceived as useful by PAPO leadership.</p> <p>Increased contact and cooperation between PAPOs and private sector firms resulting in improved private firm services.</p>	<ol style="list-style-type: none"> <li>1. Four mid-course and one final project evaluations.</li> <li>2. Membership usage of services and fee payment data.</li> <li>3. Comparison of number and type of services being offered and delivered before and after Project assistance is provided.</li> <li>4. Hard copies of newsletters produced and end-of-project spin-off plans implemented and/or supported by PAPOs.</li> </ol>	<p><b>Assumptions for achieving purpose:</b></p> <p>Models designed and implemented by Project are socially and politically acceptable.</p> <p>Benefits supplied to Target organizations are transferred to members.</p> <p>Information generation and dissemination systems are successfully implemented with target group participation.</p>

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PROJECT DESIGN SUMMARY  
LOGICAL FRAMEWORK

ANNEX B Page 3 of 5  
 Life of Project: \_\_\_\_\_  
 From FY 1986 to FY 1990  
 Total U.S. Funding \$4,000,000  
 Date Prepared: 5/14/88

Project Title & Number: Private Agricultural Producer Organizations

NARRATIVE SUMMARY	OBJECTIVELY VERIFIABLE INDICATORS	MEANS OF VERIFICATION	IMPORTANT ASSUMPTIONS
<p><b>Project Purpose:</b></p> <p>Sub-purpose 6: To increase awareness and use of sound environmental practices by PAPO members.</p> <p>Sub-purpose 7: To increase integration between "campesino" and "non-campesino" groups with common goals and purposes.</p>	<p>Conditions that will indicate purpose has been achieved: End of project status.</p> <p>Increased demand for information and environmental consulting services.</p> <p>PAPO memberships will more accurately reflect common needs with lowered or eliminated class separations.</p>		<p>Assumptions for achieving purpose:</p>

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**PROJECT DESIGN SUMMARY  
LOGICAL FRAMEWORK**

AID 10-2-78 (7-73)  
SUPPLEMENT I

Life of Project: \_\_\_\_\_  
From FY 1986 to FY 1990  
Total U.S. Funding \$4,200  
Date Prepared: 5/14/86

Project Title & Number: Private Agricultural Producer Organizations

PAGE 3

NARRATIVE SUMMARY	OBJECTIVELY VERIFIABLE INDICATORS	MEANS OF VERIFICATION	IMPORTANT ASSUMPTIONS
<p><b>Outputs:</b></p> <ol style="list-style-type: none"> <li>1. Organizational analyses.</li> <li>2. Assistance plans implemented.</li> <li>3. Credit and support linkages.</li> <li>4. Improved PAPO administration and operation.</li> <li>5. Newsletter.</li> <li>6. Policy papers.</li> <li>7. Feasibility study - Agricultural Advisory Service post project.</li> <li>8. Project implementation office.</li> <li>9. Feasibility study - Natl. Ag. Chamber.</li> <li>10. Commodity studies.</li> <li>11. Trained individuals.</li> </ol>	<p><b>Magnitude of Outputs:</b></p> <ol style="list-style-type: none"> <li>1. 30 PAPOs.</li> <li>2. 10 primary and 20 secondary PAPOs.</li> <li>3. 8 primary and 16 secondary PAPOs.</li> <li>4. 20 PAPOs.</li> <li>5. In production w/participation of 30 PAPOs.</li> <li>6. 4 produced.</li> <li>7. Completed.</li> <li>8. Established.</li> <li>9. Completed.</li> <li>10. 6 produced.</li> <li>11. a) in-country: groups (5) individuals (150)</li> <li>b) international: groups (30) individuals (60)</li> </ol>	<p>Monthly and final Project Implementation reports.</p> <p>Periodic (4) evaluations.</p>	<p><b>Assumptions for achieving outputs:</b></p> <p>Accurate social and organizational analyses provide correct orientation for assistance plans.</p> <p>Project is able to establish priorities correctly and supply assistance necessary to overcome prime producer organization constraints to meeting Project purpose.</p>

PROJECT DESIGN SUMMARY  
LOGICAL FRAMEWORK

Life of Project:  
From FY 1986 to FY 1990  
Total U.S. Funding \$4,200  
Date Prepared: 3/14/86

Project Title & Number: Private Agricultural Producer Organizations

NARRATIVE SUMMARY	OBJECTIVELY VERIFIABLE INDICATORS	MEANS OF VERIFICATION	IMPORTANT ASSUMPTIONS
Inputs:	Implementation Target (Type and Quantity)		Assumptions for providing inputs:
1. Technical Assistance	1. 3,349 (long & short-term)	USAID, contractor and PL-480 accounting records.	Competence of IA team in designing and delivering assistance.
2. Training	2. 805 (in Bolivia & region)		Cooperation and participation of target agencies.
3. Operational Support	3. 692 (small grants, equipment and studies.)		Incrementally funded Project receives OYB \$ as planned.
4. Project Support	4. 291 (PSC, vehicles and and computer)		
5. Credit	5. 6,230 (for service related activities)		
6. Contingencies	6. 133 (F/X only)		
	11,500		

ANNEX C  
STATUTORY CHECKLISTS

I. PROJECT CHECKLIST

- Included in USAID Policy Reform Project (511-0571) Project Paper Amendment of April 9, 1986

A. General Criteria for Project

1. FY 1986 Continuing Resolution, Sec. 524 FAA Sec. 634A; Sec. 653(L).  
(a) Describe how authorization and appropriations committees of Senate and House have been or will be notified concerning the project?  
Committees notified using congressional notification procedures.
2. FAA Sec. 611(a)(1). Prior to obligation in excess of \$100,000, will there be (a) engineering, financial or other plans necessary to carry out the assistance and (b) a reasonably firm estimate of the cost to the U.S. of the assistance?  
Yes.
3. FAA Sec. 611(a)(2). If further legislative action is required within recipient country, what is basis for reasonable expectations that such action will be completed in time to permit orderly accomplishment of purpose of the assistance?  
N/A
4. FAA Sec. 611(L); FY 1986 Continuing Resolution, Sec. 501. If for water or water-related land resource construction, has project met the principles standards and procedures established pursuant to the Resources Planning Act (42 U.S.C. 1962, et seq)? (See AID Handbook 3 for new guidelines.)  
N/A
5. FAA Sec. 611(e). If project is capital assistance (e.g. construction), and all U.S. assistance for it will exceed \$1 million, has Mission Director certified and Regional Assistance Administrator taken into consideration the country's capability effectively to maintain and utilize the project?  
N/A

6. FAA Sec. 209. Is project susceptible to execution as part of regional or multilateral project? If so, why is project not so executed? Information and conclusion whether assistance will encourage regional development programs.
- No. Initiated project in response to GOB request for U.S. assistance only.
- No.
7. FAA Sec. 601(a). Information and conclusions whether project will encourage efforts of the country to: (a) increase the flow of international trade; (b) foster private initiative and competition; and (c) encourage development and use of cooperatives, and credit unions, and savings and loan associations; (d) discourage monopolistic practices; (e) improve technical efficiency of industry, agriculture and commerce; and (f) strengthen free labor unions.
- Project strategy of development of private sector agricultural organizations will have positive effect on a-f.
8. FAA Sec. 601(b). Information and conclusions on how project will encourage U.S. private trade and investment abroad and encourage private U.S. participation in foreign assistance programs (including use of private trade channels and the services of U.S. private enterprise).
- Project will have limited effect in this area except for use of U.S. service contractor and consulting organization.
9. FAA Sec. 612(b). 636(h); FY 1982 Appropriation Act, Sec.507. Describe steps taken to assure that, to the maximum extent possible, the country is contributing local currencies to meet the cost of contractual and other services, and foreign currencies owned by the U.S. are utilized in lieu of dollars.
- The GOB will provide a counterpart contribution in local currency during the life-of project equivalent to approximately 52% of the total project cost. Private sector organizations will contribute another 11%.
10. FAA Sec.612(d). Does the U.S. own excess foreign currency of the country and, if so, what arrangements have been made for its release?
- No.

11. FAA Sec.601(e). Will the project utilize competitive selection procedures for the awarding of contracts, except where applicable procurement rules allow otherwise? Yes.
12. FY 1986 Continuing Resolution, Sec.522. If assistance is for the production of any commodity for export, is the commodity likely to be in surplus on world markets at the time the resulting productive capacity becomes operative, and is such assistance likely to cause substantial injury to U.S. producers of the same, similar or competing commodity? N/A
13. FAA 118(c) and (d). Does the project comply with the environmental procedures set forth in AID Regulation 16? Does the project or program take into consideration the problem of the destruction of tropical forests? Yes. I.E.E. has been approved by AID/W. N/A.
14. FAA 121 (d). If a Sahel project, has a determination been made that the host government has an adequate system for accounting for and controlling receipt and expenditures of project funds (dollars or local currency generated therefrom)? N/A
15. FY 1986 Continuing Resolution Sec.533. Is disbursement of the assistance conditioned solely on the basis of the policies of any multilateral institution? No.
16. ISDCA of 1985 Sec. 310. For development assistance projects, how much of the funds will be available only for activities of economically and socially disadvantaged enterprises, historically black colleges and universities, and private and None.

voluntary organizations which are controlled by individuals who are black Americans, Hispanic Americans, or Native Americans, or who are economically or socially disadvantaged (including women)?

B. Funding Criteria for Project

1. Development Assistance Project Criteria

a. FAA Sec.102(b), 11, 113, 281(a).

Extent to which activity will (a) effectively involve the poor in development, by extending access to economy at local level, increasing labor-intensive production and the use of appropriate technology, spreading investment out from cities to small towns and rural areas, and insuring wide participation of the poor in the benefits of development on a sustained basis, using the appropriate U.S. institutions; (b) help develop cooperatives, especially by technical assistance, to assist rural and urban poor to help themselves toward better life, and otherwise encourage democratic private and local governmental institutions; (c) support the self-help efforts of developing countries; (d) promote the participation of women in the national economies of developing countries and the improvement of women's status; and (e) utilize and encourage regional cooperation by developing countries?

(a) Project uses a participatory approach to defining activities through organizations composed of small farmers and others.

(b) Cooperatives are one of target organization types.

(c) Increased agriculture sector production will improve self-help position.

(d) Not specifically, but opportunities to do so will be taken advantage of.

(e) N/A

b. FAA Sec.103, 103A, 104, 105, 106.

Does the project fit the criteria for the type of funds (functional account) being used?

Yes

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- c. FAA Sec.107. Is emphasis on use of appropriate technology (relatively smaller, cost-saving, labor-using technologies that are generally most appropriate for the small farms, small businesses, and small incomes of the poor)?
- Use of appropriate technology will be counseled when individual agricultural organizations plans are detailed and such use is advisable.
- d. FAA Sec.110(a). Will the recipient country provide at least 25% of the costs of the program, project, or activity with respect to which the assistance is to be furnished (or is the latter cost-sharing requirement being waived for a "relatively least developed" country)?
- Sixty-three percent (63%) will be provided. See Financial Plan.
- e. FAA Sec.122(b). Does the activity give reasonable promise of contributing to the development of economic resources, or to the increase of productive capacities and self-sustaining economic growth?
- Yes
- f. FAA Sec. 128(b). If the activity attempts to increase the institutional capabilities of private organizations or the government of the country, or if it attempts to stimulate scientific and technological research, has it been designed and will it be monitored to ensure that the ultimate beneficiaries are the poor majority?
- Yes.
- g. FAA Sec.281(b). Describe extent to which program recognizes the particular needs, desires, and capacities of the people of the country; utilizes the country's intellectual resources to encourage institutional development, and supports civil education and training in skills required for effective participation in governmental processes essential to self-government.
- Participatory design, use of local consultants and improvement of ability of private organizations to lobby in their own behalf.

2. Development Assistance Project Criteria  
(Loans Only)

a. FAA Sec.122 (b). Information and conclusions on capacity of the country to repay the loan, at a reasonable rate of interest. N/A

b. FAA Sec.620(d). If assistance is for any productive enterprise which will compete with U.S. enterprises, is there an agreement by the recipient country to prevent export to the U.S. of more than 20% of the enterprise's annual production during the life of the loan? N/A

3. Economic Support Fund Project Criteria

a. FAA Sec.531(a). Will this assistance promote economic or political stability? To the extent possible, does it reflect the policy directions of FAA Section 102? N/A

b. FAA Sec.531(c). Will assistance under this Chapter be used for military, or paramilitary activities? N/A

c. ISDCA of 1985 Sec. 207. Will ESF funds be used to finance the construction of, or the operation or maintenance of, or the supplying of fuel for, a nuclear facility? If so, has the President certified that such country is a party to the Treaty on the Non-Proliferation of Nuclear Weapons or the Treaty for the Prohibition of Nuclear Weapons in Latin America (the "Treaty of Tlatelolco"), cooperates fully with the IAEA, and pursues nonproliferation policies consistent with those of the United States? N/A

- d. FAA Sec.609. If commodities are to be granted so that sale proceeds will accrue to the recipient country, have Special Account (counterpart) arrangements been made N/A

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III. Standard Item Checklist

A. Procurement

1. FAA Sec. 602. Are there arrangements to permit U.S. small businesses to participate equitably in the furnishing of commodities and services financed? Yes.
  
2. FAA Sec. 604(a). Will all procurement be from the U.S. except as otherwise determined by the President or under delegation from him? Yes. U.S., Bolivia and AID Geopgraphic Code 941
  
3. FAA Sec. 604 (d). If the cooperating country discriminates against marine insurance companies authorized to do business in the U.S., will commodities be insured in the United States against marine risk with such a company? Bolivia does not so discriminate.
  
4. FAA Sec. 604 (e); ISDCA of 1980 Sec. 705 (a). If offshore procurement of agricultural commodity or product is to be financed, is there a provision against such procurement, when the domestic price of such commodity is less than parity? (Exception where commodity financed could not reasonably be procured in U.S.) N/A.
  
5. FAA Sec. 604(g). Will construction or engineering services be procured from firms of countries which receive direct economic assistance under the FAA and which are otherwise eligible under Code 941, but which have attained a competitive capability in international markets in one of these areas? Do these countries permit United States firms to compete for construction or engineering services financed from assistance programs of these countries? No.

6. FAA Sec. 603. Is the snipping excluded from compliance with requirement in Section 901(D) of the Merchant Marine Act of 1936, as amended, that at least 50 percent of the gross tonnage of commodities (computed separately for dry bulk carriers, dry cargo liners, and tankers) financed shall be transported on privately owned U.S. flag commercial vessels to the extent that such vessels are available at fair and reasonable rates. No.
7. FMA Sec. 621. If technical assistance is financed, will such assistance be furnished by private enterprise on a contract basis to the fullest extent practicable? If the facilities of other Federal Agencies will be utilized, are they particularly suitable, not competitive with private enterprise, and made available without undue interference with domestic programs? Yes. Contract or Cooperative Agreement  
N/A
8. International Air Transport. Fair Competitive Practices. Act. 1974. If air transportation of persons or property is financed on grant basis, will U.S. carriers be used to the extent such service is available? Yes.
9. FY 1980 Continuing Resolution Sec.504. If the U.S. Government is a party to a contract for procurement, does the contract contain a provision authorizing termination of such contract for the convenience of the United States? Yes.

B. Construction

1. FAA Sec. 601(d). If capital (e.g. construction) project, will U.S. engineering and professional services be used? N/A.
2. FAA Sec. 611(c). If contracts for construction are to be financed, will they be let on a competitive basis to maximum extent practicable? N/A.
3. FAA Sec. 620(k). If for construction of productive enterprise, will aggregate value of assistance to be furnished by the U.S. not exceed \$100 million (except for productive enterprises in Egypt that were described in the CP)? N/A.

C. Other Restrictions

1. FAA Sec. 122(b). If development loan, is interest rate at least 2% per annum during grace period and at least 3% per annum thereafter? N/A.
2. FAA Sec. 301(d). If fund is established solely by U.S. contributions and administered by an international organization, does Comptroller General have audit rights? N/A.
3. FAA Sec. 620(h). Do arrangements exist to insure that United States foreign aid is not used in manner which, contrary to the best interests of the United States, promotes or assists the foreign aid projects or activities of Communist-bloc countries? Yes.

4. Will arrangements preclude use of financing?
- a. FAA Sec. 104(f), FY 1986 Continuing Resolution Sec.520: (1) To pay for performance of abortions as a method of family planning or to motivate or coerce persons to practice abortions; (2) to pay for involuntary sterilization as method of family planning, or coerce or provide financial incentive to any person to undergo sterilization; (3) to pay for any biomedical research which relates, in whole or in part, to methods or the performance of abortions or involuntary sterilizations as a means of family planning; (4) to lobby for abortion? Yes.
  - b. FAA Sec.488. To reimburse persons, in the form of cash payments, whose illicit drug crops are eradicated? Yes.
  - c. FAA Sec. 620(g). To compensate owners for expropriated nationalized property? Yes.
  - d. FAA Sec. 660. To provide training or advice or provide any financial support for police, prisons, or other law enforcement forces, except for narcotics programs? Yes.
  - e. FAA Sec. 662. For CIA activities? Yes.
  - f. FAA Sec. 636(i). For purchases, sale, long-term lease, exchange or guaranty of the sale of motor vehicles manufactured outside U.S., unless a waiver is obtained? Yes.
  - g. FY 1986 Continuing Resolution, Sec.503. To pay pensions, annuities, retirement pay, or adjusted service compensation for military personnel? Yes.

- h. FY 1986 Continuing Resolution, Sec.505  
To pay U.S. assessments, arrearages  
or dues? Yes.
- i. FY 1986 Continuing Resolution, Sec. 506  
To carry out provisions of FAA Sec-  
tion 209(d) (Transfer of FAA funds  
to multilateral organizations for  
lending? Yes.
- j. FY 1986 Continuing Resolution, Sec.510.  
To finance the export of nuclear  
equipment, fuel, or technology? Yes.
- k. FY 1986 Continuing Resolution, Sec.511.  
For the purpose of aiding the efforts  
of the government of such country to  
repress the legitimate rights of the  
population of such country contrary  
to the United States Declaration of  
Human Rights? Yes.
- l. FY 1986 Continuing Resolution, Sec. 516.  
To be used for publicity or propa-  
ganda purposes within U.S. not  
authorized by Congress? Yes.

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*Presidencia de la República*  
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BOLIVIA

Page 1 of 2

ANNEX D

GOB REQUEST FOR ASSISTANCE

La Paz 5 de junio de 1986

Señor  
David A. Cohen  
Director  
USAID/BOLIVIA  
Presente

Señor Director:

Como es de su conocimiento, el Supremo Gobierno dentro su nueva política económica ha visto que es imprescindible, que el sector agropecuario privado participe en mayor grado en el proceso de recuperación del país. Sin embargo, tanto el pequeño como mediano o gran agricultor no está en condiciones de tener una participación efectiva. Si bien existen diferentes niveles y clases de agrupaciones de productores, en la mayoría de los casos estas agrupaciones no tienen la capacidad y/o fuerza institucional de proveer "servicios" económicamente rentables a sus asociados, de manera que éstos incrementen sus rendimientos en forma técnica y económica, para convertirlos en "Empresarios Agropecuarios".

Por lo anteriormente expuesto, el Supremo Gobierno, mediante mi persona, solicita a usted, vea la manera que la Misión de USAID/Bolivia a través de sus canales establecidos, use una línea de financiamiento dirigido a las organizaciones privadas de pequeños productores en el campo agropecuario, de manera que éstas puedan fortificarse institucionalmente y capacitarse administrativa y técnicamente, para así poder llegar a sus asociados con asistencia técnica y de servicios, los cuales serían pagados por los agricultores a sus instituciones.

El Supremo Gobierno considera que este tipo de proyectos deberá tener una vida útil inicial de 3 años. Una vez transcurrido este período y en base



*Presidencia de la República*  
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Y COORDINACION  
BOLIVIA

a una evaluación se podrá determinar si se continúa o no con el proyecto.

Para este fin el Supremo Gobierno solicitaría una donación de aproximadamente \$us. 3.000.000 en moneda extranjera, provisto por USAID/Bolivia y que el Gobierno de Bolivia aportaría hasta \$us. 6.000.000 en moneda local proveniente de fondos de la PL-480. Los fondos en moneda extranjera serían utilizados para obtener asistencia técnica en el extranjero, algunos bienes que necesiten las agrupaciones y/o para aquellos gastos como entrenamiento a ser realizados en el extranjero. Los fondos de contraparte provenientes de la PL-480 serian utilizados para gastos locales y créditos a las agrupaciones a ser beneficiadas con el proyecto.

El Supremo Gobierno acordaría que la Misión de USAID/Bolivia con la Unidad de Coordinación del Proyecto MPC/USAID/B tome bajo su responsabilidad directa la contratación para asistencia técnica, adquisiciones y servicios personales, tanto local como internacional, y la canalización de los financiamientos se los efectuaría a través de las UCFs de las Corporaciones Regionales de Desarrollo, utilizando mecanismos establecidos.

El Gobierno cree que al fortificar las agrupaciones y/o asociaciones de pequeños productores agrícolas privados, éstas podrían proveer de servicios rentados a sus miembros, los que a su vez obtendrían mayores rendimientos, más eficiencia en el manejo de cultivos, de manera que el país podría lograr a mediano plazo por lo menos la "Seguridad Alimentaria" y a largo plazo podría optar en ingresar a los mercados externos con productos agrícolas que puedan competir en cantidad, precio y calidad con aquellos de otros países.

Agradeciendo de antemano su cooperación, saludo a usted atentamente.

*[Firma manuscrita]*

ANNEX E  
TECHNICAL ANALYSIS

This annex includes the general terms of reference for the five principal technical assistance organization employees to be hired under the contract or cooperative agreement funded by the Project, an outline for the preparation of the Organizational Development Strategies (ODSs) and Organizational Development Action Plans (ODAPs), and a methodological framework for the evaluation of services offered by a PAPO to its members.

Terms of Reference

Terms of reference are suggested for the following seven positions: the authorized Bolivian Government representative, the USAID Project Coordinator, the four Organizational Analysis/Development Experts (including the Chief of Party), and the Resource Procurement Expert.

-Government Representative

The GOB will officially name its representative to the Project to serve as its implementation monitor in a counterpart role with the Chief of Party of the Technical Assistance Team and the USAID Project Manager and his assistant Project Coordinator. He/she will be responsible for helping resolve routine implementation bottlenecks and otherwise facilitate rapid implementation. He/she will also monitor conformity with the Project Agreement and authorize changes noted in Implementation Letters and/or Project Amendments. Furthermore, he/she will provide the link between the Project and the GOB in the exchange of information, and the coordination of activities with other GOB assistance programs. He/she will be responsible to the Minister of Planning and Coordination.

Qualifications for this position should include ten years' experience in working with assistance programs of this type. Extensive experience in the agricultural sector and knowledge of banking criteria and methods of credit extension are also important.

-USAID Project Coordinator (Assistant Manager)-

This person will be a Personal Services Contractor located within the Private Sector and Rural Development Office of USAID/Bolivia (USAID/PRD). He/she will be USAID's representative to the Project for routine matters. He/she will work under the guidance of the USAID Project Manager and the Chief of USAID/PRD. His/her duties will be to serve as a Project monitor and facilitator in day-to-day management.

The Project Coordinator will make frequent visits to the field to evaluate and monitor implementation actions, draft USAID documentation for USAID management review, coordinate evaluation and audit plan implementation, and perform other duties as described in PP Section V.A. "USAID Monitoring".

This person's qualifications should include ten years experience in managing/monitoring programs of this type, a Masters degree (minimum, Ph.D. preferred) in an appropriate field (agricultural economics, banking and finance, organizational development, business administration, etc.), and a minimum FSI rating in Spanish of 3 plus.

-Organizational Analysis/Development Experts (4)-

These four people will be the principal links between the Project and the producer organizations. In teams of two, they will, with USAID approvals, select PAPOs with which they will prepare the Organizational Development Strategies (ODS). They will then prepare Organizational Development Action Plans (ODAPs) based on the ODSs, ensure that the technical assistance team staff is coordinating implementation of the ODAPs, and provide continuous follow-up in ODAP implementation. One of these four staff members will be designated Chief-of-Party by the technical assistance organization. As such, he/she will be responsible for the day-to-day administrative liaison between the team's home office and the Project's field staff, and between the team and USAID and the GOB. The team leader will also be responsible for assuring that the environmental education, studies and other Project activities are carried out as designed.

As there are going to be two teams of two staff members each, the areas of their specialization should be varied. Each team should be composed of one organizational development generalist and an agricultural development expert. The permanent team should contain personnel with expertise in agricultural marketing and business administration. All team members should have a minimum of five to eight years experience in organizational strengthening projects of this type, and all should have a Spanish competency of 3 plus on the FSI scale.

-Resource Procurement Expert-

This person will play the central role in the identification of technical assistance and training personnel for provision to the producer organizations and for environmental education and audio-visual activities. He/she will be responsible for the development of the Technical Assistance Roster, as well as for matching the technical assistance requirements identified in the ODSs and ODAPs with the availability of experts within Bolivia, the region and in the U.S. He/she will be backstopped by the team's head office.

This person should have at least five to eight years experience providing assistance on technical and administrative/logistics matters in developing Latin American countries. He/she should be knowledgeable in a wide variety of technical areas including agriculture, organizational development and business management. He/she should have attained a minimum of a 3 plus on the FSI Spanish rating.

Organizational Development Strategy

(Suggested Outline)

I. Description of Organization

-age, number of members, legal status, functions/services offered, region covered, crops, economic activity/income generation, and other significant details.

II. Key Indicators

- Relative 'openness' and 'closeness'
- Service delivery, need, profitability
- Long-term viability, subsidies, economic condition of PAPO
- Percentage of full-time farmers as members
- Production potential for agricultural commodities
- Quality of leadership
- Market potential for agricultural commodities
- Others to be identified

III. Needs/Solutions

- Current Shortcomings
- The Organizational Development Strategy
  - Training
  - Technical Assistance
  - Financial Support
  - Steps the PAPO must take

IV. Assistance Priorities Analysis

- Preliminary scheduling of Project assistance

Organizational Development Action Plan  
(Suggested Outline)

- I. Specific goals/objectives of assistance
- II. Details of assistance to be offered
  - roles and responsibilities
  - schedule
- III. Source of funding
  - Project, PL 480, PAPO
- IV. Signed agreement of concerned parties (PAPO, AID, GOB, TA team, PL-480)

Service Selection

The selection of the most appropriate services for PAPOs to offer their members will be the subject of careful deliberation at the time of the preparation of the ODSs. The following methodological framework is therefore presented as a guide to Project implementors. It is based on a three tiered approach: the first containing criteria which can be applied in an inclusive/exclusive (yes/no) situation, a second containing criteria which will need to be based on quantifiable, or semi-quantifiable information, and a third utilizing traditional financial/economic analysis. Examples of the types of criteria follow:

-Level 1-Exclusive Criteria

Criteria	Yes	No
-----		

Is the Service:

- Production oriented
- Self-funding
- If subsidized, there is a definite cutoff
- Unavailable elsewhere
- Past PAPO experience with the Service
- Others to be identified

-Level 2-Ranking Criteria

	Proportion Required	Achieved
-----		
Quantitative estimate of:		
Proportion of Members to be served	80%	
Proportion of Cost of Service Delivery which can be charged to members directly or indirectly	100%	
Potential: Production Increase	10%	
Price Increase	10%	
Relative Improvement over Alternative Sources for Service	20%	
Proportion of Members to be served who are full-time farmers/ranchers	90%	
Others to be identified		

-Level 3-Financial/Economic Criteria

During the preparation of the ODSs, some degree of financial/economic analysis will be applied to the process of deciding which services should be provided by a PAPO and will be supported by the Project. This could involve standard methods of comparing alternative services through the use of traditional internal rate of return and cost/benefit calculations. Nevertheless, it is not recommended that specific, pre-established cut-off percentages, or ratios be used in either eliminating or including one service, or another. These indicators are most commonly used to measure and compare the present values of benefit and investment flows stemming from similar potential investment alternatives. Given the diversity of the PAPOs to be included under the Project, each type of service, agricultural activity and region of the country would offer a different set of inputs for calculating benefits and costs. This, in turn, would result in the indicators not necessarily being comparable.

Additionally, since the PAPOs are, for the most part, service organizations, they would be thought to be maximizing economic efficiency at the point at which the maximum service is being provided at a minimum cost, and the organization is covering its operating expenses, depreciation and other costs. This would be different in the case of a private firm, which would tend to maximize profits.

In the case of a PAPO, the measurement of the benefits stemming from the delivery of many types of services is often very difficult, or impossible to quantify. This would tend to skew a selection process which is based on these types of indicators. For example, a technical assistance program which provides an extension agent to give regular lectures and field demonstrations would receive very different scores than a marketing program which guaranteed the PAPO a check-off from members' sales. Likewise, an improved accounting system would measure up very differently when compared with a storage facility.

Ex-ante analysis in these cases is often difficult and will depend on the comparability of the potential services being selected. This would, therefore, be limited to choosing between two alternative methods of providing a particular type of service, rather than choosing between two types of services. For example, these indicators could be used to choose between two market improvement projects such as the construction of rice storage facilities, or the opening up of an export marketing division. They should not, however, be used to choose between a rice storage facility and a small-scale irrigation project.

Lastly, in cases where it is appropriate to use these indicators, they must be compared to something else fixed in the economy. This is usually referred to as the discount rate or the opportunity cost of capital, and is often compared to the internal rate of return. The choice of this rate is often arbitrary, being pegged to some international indicator such as the prime rate in New York. In an attempt to make these calculations more relevant in the case of this Project, the discount rate should be based on the Central Bank of Bolivia's prime rate for dollarized accounts. This is urged since potential instability in the peso could cause calculations in local currency to become outdated too quickly to be of any use.

Following is a brief methodological framework for the calculation of these indicators. Considered are the calculations of Net Present Worth, Benefit/Cost Ratios, and Internal Rates of Return.

-Net Present Worth

The calculation of net present worth estimates the amount that discounted benefits (the present value of future benefits to be received over the life of the project), exceed discounted project costs. It is calculated by:

- Determining the incremental benefits and costs for each year over the useful life of investment using cash flow analysis;
- Establishing a discount rate for comparison purposes;
- Determining the present worth of the incremental costs and benefits by discounting each annual cost and benefit at the discount rate, and,
- Subtracting the present value of incremental costs from that of the incremental benefits.

If the resulting figure is positive, the investment is normally thought to be financially viable. If it is negative, it is not thought to be viable. If it is zero, it is thought that the investment's rate of return is equal to the discount rate.

-Benefit/Cost Analysis

The benefit/cost ratio of an investment measures the efficiency with which the investment uses resources, and considers the present worth of the gross incremental benefits divided by the present worth of the gross incremental costs. Rank ordering investment possibilities according to benefit/cost ratios gives highest priority to the investment which uses resources most efficiently. It is purely a financial indicator and does not consider benefit distribution or spread. It is calculated by:

- Determining the incremental benefits and costs of the investment for each year of its potential life,
- Discounting the annual incremental benefits and costs to determine their present worth, and
- Dividing the present worth of the gross incremental benefits by the present worth of the gross incremental costs.

Usually, if the resulting ratio is less than 1.0 the investment is discarded as a possibility. If, on the other hand, it is greater than 1.0 the investment can be further considered, normally by comparing it to other similar type investments.

-Internal Rate of Return

The internal rate of return is another efficiency measure which reflects the payoff of potential investments in terms of percentage returns on outlays. There is no analytical solution to its calculation and a trial and error method must be followed. Additionally, it cannot be used if there is a positive cash flow during all years of the life of the proposed investment. It is calculated by:

- Determining the potential incremental benefits and costs over the life of the investment using cash flow analysis,
- Estimating the discount rate for a first trial computation,
- Computing the net present worth of the investment using the trial discount rate, (when the net present value is zero, the internal rate of return equals the discount rate),
- Reselecting alternative discount rates until the net present value calculations result in one positive and one negative value, and,
- Interpolating between the discount rates to arrive at a net present value of zero. This 'interpolated' discount rate then becomes the internal rate of return.

The calculation of these rates can then be used to compare similar types of investment alternatives.

ANNEX F

TARGET INSTITUTIONS ANNEX

This annex amplifies the "PAPO Pre-Qualification" (Section II.E.3.b.) and "Selection Process" (Section II.E.3.c.) criteria to be employed in selecting PAPOs for Project assistance. The annex also contains detailed data on the 29 of the 32 PAPO organizations surveyed during Project design.

PAPO Selection Criteria

There are many possible criteria which can be used to select which PAPOs to include in the Project, e.g., size, form of organization, financial autonomy, member composition, location, and crop characteristics, among others. Amplifying on these and other criteria of the PP Project Description, it is suggested that analyses be conducted on three levels. The first is that all PAPOs meet some minimum standards in order to pre-qualify (PP Section II.E.3.b.). Second, priority consideration should be given to those PAPOs whose principal products have certain production and demand characteristics. Finally, there are some more discretionary, albeit important, factors, such as organizational experience and viability, and regional and organization type diversity, to consider in order to make the final PAPO selection.

Level One

On the first level, in general, the Institutional Summary Matrix of PP Section VI.A. shows that most of the PAPOs interviewed meet the minimum standards suggested for pre-qualification. As noted in the PP, however, there are issues of quality to consider. Some organizations have higher success levels than others in their present service deliveries. Some have greater capabilities of implementing new or improved services, better organized accounting systems, or more efficient income collection methods. Even here, though, some flexibility of judgement must be recommended, as it is not the Project's intention to work only with the best prepared groups. The importance of the quality of each characteristic varies within the context of each organization, with the quantity and complexity of the demands made on it.

All of the groups listed herein have already obtained legal standing, with the exception of one group. While this group would currently be ineligible for small grant or credit assistance, it could still be assisted by the Project in other ways until final legal approval is given. While 25 of the 29 cases have their own offices, a more detailed examination of the other 4 groups may show that this is not a decisive factor. Something similar may well be the case with reference to having at least one paid staff member--the dynamism and dedication of one or more volunteers may be more promising than the halfway efforts of poorly paid staff members.

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The important characteristic of "openness" has some ambiguities. The CAO and CAMAT accept only one organization in a given line of production in order to discourage divisiveness. At least one of the older groups, the poultry producers' group in Cochabamba, has evolved to what is probably a natural stage of consolidation in an industry with notable economies of scale, following a similar trend in the poultry industry all over the world. Certainly, the CAO and CAMAT should not be excluded from the Project, and even the poultry group in Cochabamba might notably benefit, given its level of maturity, from very precise TA in some production areas. So, even the minimal standards proposed must be used with caution and common sense.

#### Level Two

Another level of PAPO selection (see the Economic Analysis of PP Section VI.C.) is based on criteria concerning certain strategic characteristics of their principal products. By far the most critical, and most often overlooked factor in deciding which production activities to encourage is the relative elasticities of production and demand of the different products. Unless more potatoes can be profitably produced, i.e., find enough consumers willing to pay the required price, the more potato production should not be promoted. The best technical assistance in the world cannot be successful if the product cannot be profitably sold.

Some products, compared to others, have more technical possibilities of reducing costs through more efficient factor use (some products are more responsive to better soil analysis and more accurate fertilizer recommendations, improved seed varieties tailored to local conditions, etc.) or through economies of scale. Obviously, these favored products can lower their costs of production while increasing output, and are better able to meet the need to lower prices to consumers in order to convince them to increase their purchases. On the other hand, of course, some products have a greater price elasticity of demand than others. To the extent that a given price decrease in tomatoes will encourage a greater increase in demand than will a similar price decrease in potatoes, then the Project should work with tomato PAPOs rather than potato PAPOs.

Specialists, as part of the Commodity Studies activity of the Project, need to study the current technical production conditions in Bolivia of the crops to be considered and compare these to the reasonable technical changes which could likely be introduced, given Bolivian factor costs and expected prices. On the demand side, import and export analyses of the Project's Commodity Studies will provide information to show which products might be quickly expanded without greatly lowering prices. Beyond this, if there are no local data on price elasticities of domestic demand, international data should give some idea of which products are more promising than others, i.e., meats, milk, fruits, and some vegetables will probably have a more price elastic demand than sugar and potatoes. So, other things being equal, the Project will give priority to PAPOs whose principal products have the greatest likelihood of increasing output at profitable prices. Until the Commodity Studies funded under the Project are completed, presently available data will have to be used in establishing these priorities.

### Level Three

On the third level, there are several factors to be considered. Labor-intensive products should generally be given preference over capital-intensive ones. Small holder groups should generally be preferred over groups dominated by urbanites. Large groups will be preferred over smaller groups for overall impact reasons. Cost-effectiveness of the use of Project personnel and TA specialists favors choosing PAPOs which are geographically close together, producing the same crops, and having similar problems. Obviously, a PAPO with a unique product in a distant province and over bad roads would be comparatively expensive to service. There are real logistical advantages to having several PAPOs close together, and there are advantages to having several PAPOs with the same products (and probably similar TA needs, using the same in-depth commodity studies, and accumulating expertise). However, in spite of the above, Project implementers must decide how well their resources are able to deal with a mix of PAPOs with different levels of competence and different kinds of needs in order to gain more experience more rapidly and create a wider diversity of models for other PAPOs to replicate.

Timing of Project intervention is critical. Knowledge and use of agricultural calendars will permit selection of those PAPOs whose activities allow Project personnel to work with them at different times of the year. In order to help make the final choices, it may be convenient to prepare more detailed matrices than contained in PP Section VI.A. and to group the PAPOs by different characteristics, i.e., by estimated production and demand elasticities, by import substitution potential, by export potential, by labor intensities, by capital requirements, or by whatever other factors seem appropriate.

### Summary

In summary, the selection of target PAPOs is a process. The first two levels of criteria, while certainly requiring judgement in weighing the different factors, and requiring time to develop new information to help in this weighing, will finally select those PAPOs with the most chance of production and economic success, and capable of becoming role models for others. The pre-qualification minimum standards give a first approximation to those groups with which the Project will find it most feasible to work. The second-level criteria will show which products are the most promising. The third level criteria are different, representing overall Project objective value, logistical or social choices more than economic ones. Used consistently, this procedure will reduce personal biases, making the bases of selection clear and promoting objectivity in identifying those PAPOs with the most likelihood of working successfully with the Project and fulfilling its objectives.

### PAPO Descriptions

It is important to note that the PAPO descriptions which follow are based almost solely on interviews with representatives of these groups. In most

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cases, the information could not be checked with other institutional sources or individual members in the field to confirm the accuracy of the facts or the reasonableness of the opinions expressed. In the few instances where Project design team opinions are given, these are identified as such.

INDIVIDUAL PAPO DESCRIPTIONS, BY DEPARTMENT

SANTA CRUZ DEPARTMENT

1. Name: Cámara Agropecuaria del Oriente (CAO)
2. Personería Jurídica: October, 1966
3. No. Members: 10 organizations.
4. Budget: The CAO budget comes from contributions from its member organizations, but many of them are in arrears. It has some profits from its import and sale of inputs, but the former volume has fallen.
5. Area covered: Dept. of Santa Cruz.
6. Principal products: Member organizations produce cotton, soybeans, wheat, maíz, sorghum, rice, fruit, sugar cane, milk, cattle, pigs, and poultry.
7. Services to members: Representation of members' interests before local and national government bodies and other groups, negotiating lines of credit for member groups, preparing feasibility studies, providing technical assistance, serving as a forum for discussions of common problems and desirable policies, helping market members' output, and importing inputs and machinery.
8. Brief description:

CAO is composed of ten associations, specialized by products, as noted above in Section 6. CAO accepts only one organization per agricultural product, even when more than one organization exists in that line (there are 4 sugarcane producers' groups). The Board of Directors of CAO is composed of the presidents of the member associations, who elect a president and vice-president. The Board names a general manager. There are 18 salaried professionals on the staff. CAO occupies rented offices and has reasonable equipment. CAO's professionals are spread thinly. This does not permit real specialization in exportation, say, with someone thoroughly knowledgeable about Brazilian import procedures, fees, and taxes, seasonal production and price trends, consumer preferences about product varieties, sizes, and colors, legal and customary processed product specifications, a directory compiled over time of reliable Brazilian import agents and brokers, and any other information which may facilitate Bolivian agricultural exports.

CAO's budget has declined recently, under the effects of the current economic crisis in Bolivia and due to legal changes contained in the Decreto Supremo No. 21060, of August 1985, which abolished many of the previously established fees for agricultural organizations. A CAO service called the Almacén Central Agrícola y Pecuário (ACAP) imports and sells inputs used by the members' farmers. The volume handled by ACAP has declined, due to reduced credit available, and the profitability of the service has fallen.

9. Needs: TA for carrying out in-depth product studies, serious feasibility and marketing studies. Help in preparing a monthly or quarterly publication describing and analyzing production and price developments, import/export information, and other subjects of interest to its member organizations. CAO needs more professional staff to permit more specialization by product and activity.
1. Name: Asociación Departamental de Avicultores (ADA)
2. Personería Jurídica/ 23 April 1977.
3. No. members: 144, plus 1 group (Okinawa) with 105 members.
4. Budget: ADA has its own budget, provided by income received under terms of Decreto Supremo No.16826, from poultry feed mills and baby chick producers. ADA gives 10% of its income to CAO because the latter has more political weight.
5. Area covered: Dept. of Santa Cruz.
6. Principal products: Poultry eggs (brown) and broilers, as well as poultry feed and baby chicks.
7. Services to members: Technical assistance, marketing, sanitary and medical products, representation before governmental agencies, aid in soliciting credit.
8. Brief description: ADA's membership is open to individuals and groups, having accepted 24 new members in 1985 (10 broiler producers, 13 egg producers, and 1 fertile egg producer; 6 were Japanese, to judge by their names), to add to their existing 225 members, for a total of 249 at the end of 1985. Its members include not only poultry producers, but also hatcheries and feed mill companies. ADA's income in 1985 was about US\$25,000 (as measured by the year-end pesos/US\$ exchange rate). Almost three-quarters of this came from feed mill payments, one-fifth from hatcheries, and the rest from farms producing their own feed. All of these pay a percent of the value of their output. Poultry farmers, then, do not make direct payments to ADA, but they do support it indirectly through higher prices for their main inputs of feed and chicks.
- In 1985, ADA successfully negotiated an IDB credit of US\$840,000, distributed among 36 members, to import chicken feed and equipment. Also in 1985, ADA remodeled their offices, installed a small telephone switchboard, and almost completed the construction of a pathology laboratory to aid in diagnosing poultry diseases.
- Their annual report contains a complete accounting of all funds received and disbursed, including a detailed list of all income sources, the names and amounts received by each of the 36 recipients of the IDB credit, names of new members admitted, and details of other activities. Santa Cruz produces about 7 million eggs/month (75% going to La Paz), Cochabamba about 3.5 million, and Tarija perhaps 0.5 million. The ADA representative interviewed said he had 32,000 hens, half in cages and half on the floor. (Opinion: There have been serious poultry disease problems in the Santa Cruz area recently, and there are many other problems to resolve, but the ADA gives the impression of a strong, purposeful, open organization, still expanding and improving its services to its members.)
9. Needs: Production and laboratory TA.

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1. Name: Asociación de Horticultores y Fruticultores (ASOFRUT)
2. Personería Jurídica: April 1981.
3. No. members: 14 groups with 3,250 members.
4. Budget: Each member pays US\$2.50/year, plus a profit is earned on the sale of imported inputs and nursery plants (fruit trees and pineapple), and a small spread is levied on credits negotiated by the association.
5. Area covered: 6 provinces of Santa Cruz (Florida, Caballero, Vallegrande, Andrés Ibañez, Sara, and Ñunflo de Chavez).
6. Principal products: Tomatoes, onions, bell peppers, lettuce, carrots, cucumbers, locoto (a hot pepper), cauliflower, peas, potatoes, pineapples, apples, citrus, and bananas.
7. Services to members: Negotiate credit, sell inputs, market output, and technical assistance.
8. Brief description: The association is quite young, but has worked actively in the various services it offers. Technical assistance is provided at a 2 ha demonstration farm, although there is also an "egresado agrícola" at each of the 12 input stores. There is a unit in charge of the purchase and sale of inputs, managing the 12 local stores scattered through the main farm areas. (The ASOFRUT manager says that the inputs sold by CAO's ACAP are no longer competitively priced, in part due to the present extensive contraband and tax avoidance in which CAO cannot participate.) There are 16 salaried people. ASOFRUT has rented offices, well equipped, including a Wang hard disk computer which cost US\$7,000 (machine, custom program, and training). ASOFRUT has just taken over a vegetable packing plant called PETOSAN (Productores de Tomates de San Isidro), located in San Isidro, and a plant for producing marmalade in Samaipata. These plants do not have an auspicious history, belonging originally to CORDECRUZ, are over-dimensioned, and never operated either for a long time or profitably. The ASOFRUT president and manager say they have no technicians capable of operating such plants, they know nothing about acquiring inputs or selling the outputs, but believe somehow they will be an asset to the association. CORDECRUZ did not give the association a marketing study justifying the purchase of the plants, nor apparently will they be able to provide any technical assistance. (Opinion: this is an example of a possible conflict of interest between a regional development agency which has a white elephant on its hands and an eager but inexperienced local organization which can be persuaded to take it over.) In addition to the above, ASOFRUT is looking at a private packing plant near Montero, closed for four years now, which may be available for rent or purchase.

ASOFRUT is considering other ideas. They already have two shortwave radios, in San Isidro and Santa Cruz, and would like to have one in each locality. They are promoting the idea of a wholesale market in Santa Cruz. They are going to install "model" retail stands in existing markets, starting with a single one soon, which will stress cleanliness, graded products, packaged in sizes for individual sale. There is need for refrigerated storage.

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They have just completed negotiating a loan with the IDB for 80 tractors. Each tractor, delivered April 5, 1986, went to a group of ten farmers, so 800 members will benefit. Each group has from 20 to 30 ha. The Brazilian manufacturer has agreed to set up a repair shop, completely equipped, and to train two farmer/mechanics for two months. This shop will be located at the San Isidro demonstration farm. ASOFRUT signed as guarantor. There has been a delay of almost two years since the initial conversations.

The computer is already being used for many purposes and will soon have the results of an extensive survey carried out with a two-page questionnaire for each member. This survey covers farmer and farm characteristics, crops and cropping techniques, soils, climate, energy, labor used, machinery, transport, distance, credit, marketing, etc. These data can then be sorted and related to many factors.

The principal products of ASOFRUT's members are positively income elastic and their demand should increase with economic development.

Many of them require considerable skill to produce and should have the help of well trained extension agents.

9. Needs: ASOFRUT needs technical assistance in many fields, in administration, agriculture, marketing, and in the processing plants recently acquired.
- 
1. Name: Federación Nacional de Cooperativas Arroceras (FENCA)
  2. Personería Jurídica: August 1964.
  3. No. members: 200 cooperatives with average of 40 members each, total of 8,000.
  4. Budget: All rice producers are legally required to pay FENCA 1.5% of their production value, but this is difficult to collect now since the roadside customs stations (trancas, aduanillas) no longer deduct it. The rice mills can discount this, but they do not always cooperate.
  5. Area covered: Santa Cruz, Chapare, Caranavi-Beni.
  6. Principal products: Rice.
  7. Services to members: Expedite land titles, negotiate prices paid by mills, rent storage space, credit, sell inputs.
  8. Brief description:
 

FENCA has its own offices, with a minimum of personnel, including one "cooperative technician." The President functions as manager. Most of the members are migrants from the Altiplano, 90% of them live in Santa Cruz Dept., and all have smallholdings, averaging about 10 ha, with about 5 ha in rice.

FENCA is the largest CAO member, but also the poorest. They feel they get few benefits from CAO except help in political and legal matters and in soliciting credit. They believe they are discriminated against by other CAO members because of their geographic and campesino origins. FENCA has a very weak administration and is ineffective operationally.
  9. Needs: FENCA needs TA in every aspect of its operations.

They have recently contracted for a feasibility study for a rice mill in the Montero area. The study has some useful data, but is essentially a sales document to be presented for a bank loan. Nevertheless, if further study should show the mill to be feasible, TA could be centered on it. The members are interested in diversifying their crops, but need TA to do so.

1. Name: Asociación de Productores de Oleaginosas y Trigo (formerly Asoc. Nacional de Productores de Oleaginosas, and still known as ANAPO)
  2. Personería Jurídica: 1978
  3. No. members: 1,640, including 20 to 25 firms with 4 to 5 individuals each.
  4. Budget: Members are to pay 1.5% of the value of their production to ANAPO. This was formerly collected at the roadside customs stations but now they are dependent on the oil processing mills to discount this. The mills are not very cooperative, however, and a better system has to be devised. They have a 3% profit on sale of inputs.
  5. Area covered: Dept. of Santa Cruz. They formerly considered themselves to be national (i.e., including Tarija, the other producing region, with about 5% of national soybean production vs. 95% in Santa Cruz, but they believe their problems and interests do not coincide enough to justify this.
  6. Principal products: Soybeans, with small amount of wheat.
  7. Services to members: Inputs, negotiation of storage space, prices, and credit; representation of members' interests.
  8. Brief description: ANAPO has its own offices (rented), with 11 employees, including 8 professionals. Its membership is unusual, being composed of a majority of international immigrants (Mennonites, Japanese, Russians, and Peruvians), as well as some Bolivians. ANAPO recently bought a seed processing plant. Because they have not been able to negotiate a satisfactory price this year with the oil mills, they are renting silos and investigating exports to Brazil. They would need a large credit to finance this. ANAPO retains 70% of its income, contributing 15% to the CAO and 15% to CIAT.
  9. Needs: Devise a new means to replace lost revenues. TA in administration and exports.
- 
1. Name: Asociación de Productores de Algodón (ADEPA)
  2. Personería Jurídica: Yes
  3. No. members: n.a.
  4. Budget: ADEPA legally becomes the owner of cotton as soon as it is baled and markets it to industrial users.

Producers contribute US\$1/100 lbs, amounting to US\$66,000 in 1985. The association earns a little by depositing the sales receipts in interest bearing accounts for a few days while producers' statements are being prepared. The 1985 budget was for US\$120,000, but income was just more than half this amount. The sale of domestic cotton has been very depressed because of imports from Paraguay. ADEPA contributes 10% of its income to CAO.

5. Area covered: Dept. of Santa Cruz.
6. Principal products: Cotton.
7. Services to members: Technical assistance for production, research ties with ICAT, inputs, negotiating credit.
8. Brief description: ADEPA members produce most of Bolivia's cotton with small farms having up to 50 ha, medium ones up to 200 ha, and larger ones above that.  
Modern cotton production began about 1969, with most of the early output exported. Currently, the capacity of domestic cotton gins and mills far exceeds the actual use, perhaps by 3 to 1.
9. Needs: ADEPA needs more extension agents (4), more on-farm research, more and cheaper credit.

1. Name: Asociación Nacional de Productores de Maiz y Sorgo (PROMASOR)
2. Personería Jurídica: 1978.
3. No. members: 1,096; they have some cooperative members and branch groups in Cochabamba, but no details were available.
4. Budget: PROMASOR charges 3.5% commission for marketing members' products; members pay 1.5 to PROMASOR on what they market themselves. This year they have received a 30% advance from interested grain buyers because the bank is no longer giving warrant credit and because production is low this year, so buyers are eager to assure supplies. The 1.5% commission was formerly a legal obligation, but the D.S. No. 21060 abolished this, and while members still agree to pay it, in fact many of them ask buyers not to deduct it.
5. Area covered: Dept. of Santa Cruz.
6. Principal products: Maize, sorghum, soybeans.
7. Services to members: Marketing, storage, credit negotiation, production TA, inputs.
8. Brief description: PROMASOR is a partner in a silo company and has a paid technician in charge of storage. Members have about 40,000 ha of maize this year, while last year they had 64,000 ha; there is a lot of variation from year to year. Eighty percent of the maize is used in poultry feed. There are 15-20 maize buyers. Last year's heavy maize production caused PROMASOR to make arrangements to sell to Peru, but a change there in import taxes made that unprofitable, and they contacted Brazilian buyers. A sudden increase in domestic prices finally made it possible to sell everything locally. Fertilizers are not used, but herbicides are. All work is mechanized. Imported seeds are used. Production averages 3 MT/ha.

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They have a paid extension agent and a storage man (with MS from US), plus other help, but they also depend on a lot of volunteer work. This is no longer efficient, and many members are aware of it, so they need to hire more professional staff.

About 75% of the members have less than 50 ha, 20% have from 50 to 200 ha, and 5% have over 200 ha.

They think CAO functions well, especially in macro aspects of credit, in legal matters, and, in negotiating prices before D.S. No. 21060 came into effect.

9. Needs: They have an Apple PC, but they need help to take better advantage of it. Production and storage TA would be useful to bring their people up to date. They are very interested in minimum tillage. There is a legal change being studied to require the use of other grains in bread flour, and they need information on this.
- 
1. Name: Federación de Ganaderos de Santa Cruz (FEGASACRUZ)
  2. Personería Jurídica: Yes.
  3. No. members: 5,000, grouped in 22 branches.
  4. Budget: FEGASACRUZ receives legal fees for providing documents required for slaughtering animals (since 2 March 1984). Formerly, all cattlemen had to belong to FEGASACRUZ, in practice, because they needed certificates issued only by FEGASACRUZ in order to move or sell cattle, but this was abolished by D.S.21060.
  5. Area covered: Dept. of Santa Cruz.
  6. Principal products: Cattle.
  7. Services to members: Slaughter certificates, inputs, TA, negotiating credits, representation of members' interests, and a market price bulletin. The most distant member branches have radios supplied by the Federation. Their input prices are no lower than those in commercial firms, as they believe these firms are indispensable for their members; the Federation's input services are there only to avoid abuses or scarcities. Not all members agree with this policy. The Federation was able to lower the price of 100 tractors (purchased under an IDB credit) by 30%. The Federation has people in the slaughterhouse to control members' livestock.
  8. Brief description: FEGASACRUZ is one of the older, more powerful PAOs. Its members have some 1,300,000 head of cattle, with 97% of them having fewer than 300 head, 2.3% of the members from 300 to 2,500 head, and 0.7% over 2,500 head.
  9. Needs: TA in administration and production (they would like to have two or three cattlemen from Colombia come here for 30-60 days as consultants, for example). They have had computers (since 1982), but feel they could be used for much more than the present routine accounting.

TARIJA DEPARTMENT

1. Name: Cámara Agropecuaria de Tarija (CAMAT)
  2. Personería Jurídica: 1983.
  3. No. members: 8 associations.
  4. Budget: CAMAT will charge 0.5% of the IDB loans it recently negotiated for its members. The sugarcane producers have offered 0.25% of the value of their production.  
Prior to this, CAMAT has collected voluntary donations for small items, as travel, stationary, and communications.
  5. Area covered: Dept. of Tarija.
  6. Principal products: The member groups produce grapes, sugar cane, cotton, soybeans, grains, fruit, milk, beef, pork, and poultry.
  7. Services to members: Negotiating credits, representation of members' interests.
  8. Brief description: Although legally constituted in 1983, CAMAT was inactive until late 1984 when it was learned that the IDB had initiated a farm machinery credit line. This stimulus and the eventual success in getting the loans approved have dynamized CAMAT and its members into appreciating its many possible functions.  
(Opinion: Although CAMAT is largely a paper organization up to now, with no offices of its own, no employees, and no capital, it has some officers and member groups who know the Santa Cruz chamber and its successes and who seem determined to move ahead.
  9. Needs: TA for organization, for feasibility and other studies, and for advising on the planned computer system. I: needs offices and some paid, full-time professional staff. CAMAT would like to form its own internal savings and loan society. It needs investment and operating capital funds.
- 
1. Name: Asociación de Ganaderos del Gran Chaco
  2. Personería Jurídica: 1976.
  3. No. members: 100.
  4. Budget: The Asociación receives, by law, the equivalent of one kg of meat (about US\$.70, currently) for every animal slaughtered in the Chaco or transported out of the region.
  5. Are covered: Chaco.
  6. Principal products: Cattle.
  7. Services to members: TA for improved pastures and animal health, negotiating prices and transport costs.
  8. Brief description: The average member has 150-200 head of cattle, while the largest has over 1,000.
  9. Needs: The most urgent and the most important is credit. They need TA in administration and production.

1. Name: Asociación de Lecheros (of Tarija)
  2. Personería Jurídica: 1976.
  3. No. members: 65.
  4. Budget: The PIL discounts 2% of the value of members' deliveries, for February, for example, this amounted to US\$100, but it is this high for only a few months and falls to almost nothing during the winter.
  5. Area covered: Tarija.
  6. Principal products: Milk.
  7. Services to members: Inputs, including concentrates, as they have funds to buy them. PIL provides veterinary services.
  8. Brief description: The members interviewed see little future for milk production in Tarija unless the seasonal forage scarcity and the low price of milk are favorably resolved.  
The price of milk is the only agricultural price still subject to price controls (currently \$450,000 pesos/liter delivered to PIL and \$600,000/liter to the public, about US\$.22 and .30, respectively) and it must be increased if milk production is to continue. PIL, Tarija, has a capacity of 50,000 liters/day, but the producers have never delivered more than 1,000 l/day. PIL depends on donated, imported powdered milk, which is much more profitable than buying local fresh milk.
  9. Needs: Their greatest immediate, and chronic, need is for a fund to buy forage and concentrates. These products are often scarce here, and transportation is so expensive that these should be purchased in quantity.  
Powdered milk donations from other countries should stop, as the gob and PIL will never foster local production so long as they can get milk for free and then sell it.
- 
1. Name: Cooperativa Integral Campesina (COINCA)
  2. Personería Jurídica: 1975
  3. No. members: 350 families in 22 communities.
  4. Budget: Much of its income over the years has come from grants from religious groups and international donors, as ACLO and the Inter-American Foundation. They are currently expecting a loan from the Confederación Nacional de Cooperativas de Ahorro y Crédito. They also had profits from their wine making until last year, when they produced no wine because of internal, organizational problems.
  5. Area covered: Valley of Tarija (15 communities), O'Connors province (2 communities), and Sud Cinti province in Chuquisaca (5 communities).
  6. Principal products: Wine, potatoes, chickens.
  7. Service to members: Sells inputs (tools, fertilizers, and "remedies"), negotiates credits, buys some grapes for its winery from members (about 30% of their production). Negotiates prices for members' grapes sold to other wineries.
  8. Brief description: COINCA was organized by ACLO. Of the 22

communities, 11 (with about 80 families) produce grapes, 7 have poultry produced as collective enterprises, while the other 4 have potatoes. For some years, they have had "bad administration", with charges ranging from incompetence to corruption. A year ago, the entire Board of Directors was changed and a new manager was hired. They also have an accountant, a warehouse man, and an enologist. They own their offices and the winery.

9. Needs: To expand their winery capacity from the present 50,000 liters/year to 250,000 l/year. This was based on a feasibility study done by the Dept. of Planning of CODETAR. This study did not include a marketing section. They need TA for their organization and administration and for their members' production. They also need a rotating fund for operating capital.
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1. Name: Asociación de Productores de Algodón del Chaco (ADEPACH).
  2. Personería Jurídica: Yes.
  3. No. members: 158.
  4. Budget: Members pay US\$2/qq fiber (representing about 8% of the current price). In addition, members receiving loans have to deposit \$1 in a savings account for each \$5 they request.
  5. Area covered: Chaco.
  6. Principal products: Cotton.
  7. Services offered to members: Sale of inputs, negotiating loans, and marketing output.
  8. Brief description: ADEPACH members have from 0.4 ha to 54 ha of cotton, with 60 having 1-4 ha, 32 with 4-10 ha, and 7 with over 10 ha. Production ranges from 1.6qq fiber/ha to 23qq/ha. Preston Pattie, Chemonics Seed Project head, made a study for ADEPACH on the feasibility of their taking over the cotton seed component. (Proyecto T-059 of MACA and USAID, titled Proyecto de Refortalecimiento Institucional del Programa de Algodón.) ADEPACH lost a lot of their capital during the recent inflation chaos. For example, they made a sale of cotton priced in US\$, but before it was settled, the GOB issued a decree prohibiting the use of US\$ prices, and they were paid in pesos at the official exchange rate, which was then far below the free market rate.
  9. Needs: TA for a seed processing plant, for cotton production, for possible diversification into jojoba production on vast marginal lands, for an IBM computer they bought, and to learn how to prepare feasibility projects (they're interested in a wheat mill, an oilseed mill, and a maize derivatives plant). They believe the Chaco rainfall is increasing and need TA to verify this, and, if true, the whole agricultural system there would need to be changed. They need a rotating fund of US\$4 million for operating capital (they have US\$100,000 of their own to put in).

1. Name: Asociación de Viticultores (ASOVIT)
  2. Personería Jurídica: 1980
  3. No. of members: 660
  4. Budget: Inputs are sold at a 5% profit (using a PL 480 loan to finance input imports); members pay 0.5% of their production value.
  5. Area covered: Tarija (460 members), Nor Cinti province in Chuquisaca (200 members).
  6. Principal products: Grapes
  7. Services to members: Sale of inputs (including tractors, fumigators, etc.), TA (salaried enologist and volunteer agronomist members), negotiate credits and grape prices.
  8. Brief description: Grapes have been grown here since the expulsion of the Jesuits from their missions in Paraguay (1767?). ASOVIT has their own offices (rented) and an accountant/secretary and other permanent office personnel, plus temporary help as needed. Most members cultivate about 1-1.5 ha, with the range from 0.25 to 20.
  9. Needs: Some members are forming a cooperative in order to manage a winery, an activity which the association can not legally do. They will need TA for this. They need a phytopathologist for a laboratory they want to set up. (USAID had a lab years ago in Cochabamba which might still be serviceable.) They would need TA for starting up the lab, as university graduates are very theoretical and lack experience. This lab might be more general and used for all the regional crops, perhaps belonging to the CAMAT, they say. They need administrative TA and short-term production TA for specific problems.
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1. Name: Asociación de Avicultores (de Tarija)
  2. Personería Jurídica: 1978.
  3. No. members: 183.
  4. Budget: Although all members have agreed to contribute a certain % of the value of their production to the Asociación, in fact, only 15-20 actually support it. The monthly quota is the equivalent of one kg of poultry meat or two dozen eggs.
  5. Area covered: Tarija.
  6. Principal products: Eggs and meat.
  7. Services to members: A veterinarian volunteers free service and other experienced members also volunteer to help. Seven members are paying the expenses of a pathologist coming from Santa Cruz and an expert poultryman from Salta (Arg.) to give talks during several days.
  8. Brief description: The origin of the poultry industry in Tarija was a USAID loan in 1978 to set up 60 poultry houses, with 2,000 chicks each, and a feed mill. AID has recently given another 40 loans, done without ever consulting the Asociación at any time. Some members have experimented with producing chicken "sausage" and selling cut-up chicken pieces instead of whole birds, thinking of specialized markets for the more expensive pieces, as well as for the cheaper ones.

The former board of directors stayed in place for years, and did nothing. The new board was elected 3 months ago. None of the poultry projects here has considered marketing before starting up. Thus, the slaughter house only has cold storage for about one day's output. There has been no consideration of packing, processing, or transportation.

Minimum production to be a member is 2,000 broilers or hens. The largest producer has 8,000 broilers.

Currently, 8,000 chicks arrive weekly from Santiago de Chile, via LAN to La Paz and Lloyd from there to Tarija. These imports are due to the sanitary problems in the Santa Cruz hatcheries and their temporary closure.

No one in the area is a professional poultryman, depending solely on poultry for a living. Many are professionals in other fields, as doctors, lawyers, accountants, as well as farmers and others.

9. Needs: Generalized short courses for members would improve productivity and lower costs. More specialized courses are also needed to raise them to the level of international care. They need a loan for operating capital to start up a pharmacy of poultry products. They need a Technical Dept. which would have reliable, up to date information, indispensable when they try to analyze problems or consider something new. They need TA in processing and in marketing (probably available in Salta, they believe). The current feed mill is totally inadequate, run by CODETAR, oversized and overstaffed. The present slaughterhouse should be replaced by a new one. The feed mill can be salvaged, with the addition of greater silo capacity.

1. Name: Asociación de Cañeros de Bermejo (ASCABE)
2. Personería Jurídica: 1972.
3. No. members: 1280.
4. Budget: Members pay quotas based on their cane production.
5. Area covered: Bermejo.
6. Principal products: Sugar cane.
7. Services to members: Medical care, community facilities, road construction, and sale of inputs.
8. Brief description: There are several associations of cane producers near Bermejo, totaling about 1,550 members. There has been talk of creating a federation of all the groups, but it has never seemed very urgent. Sugarcane productivity per ha is falling, from 120 mt/ha some years ago to 50-60 mt/ha now. The drop has been dramatic in the last 4 years, with sugar mills that formerly worked 7 months to process 600,000 mt now working only 4-5 months to process 400,000 mt. There were formerly national sugarcane goals, with strict individual production limits, ranging from 0.5 ha to as much as 40 ha.

ASCABE has its own offices, employees, buildings for health clinics, shops, etc. it has heavy road building equipment and has built and maintains hundreds of km of roads.

9. Needs: A computer would be very helpful. TA for cane production. Operating capital is critical. They want to diversify out of cane, but need TA to study they alternatives. TA is needed to study the increased rainfall of recent years and, if necessary, to recommend flood control measures and crop changes.

1. Name: Asociación de Productores de Oleaginosas y Granos (APOGRA)
2. Personería Jurídica: Yes.
3. No. members: Over 300.
4. Budget: Commission of 0.5% on credits, 1% of harvest valuee.
5. Area covered: Chaco.
6. Principal products: Soybeans, maize, wheat.
7. Services to members: Negotiate credits, inputs.
8. Brief description: A producers' association existe4d for some years before APOGRA, from about the time the oil mill began operating in 1978. There is still only a single mill, belonging to the GOB, and working at about 5% of its capacity. APOGRA has always tried, but also always unsuccessfully, to get the production credits to arrive on time. Until this year, the Banco Agrícola has been the only bank in the Chaco. A co-op member of APOGRA, with its own personería jurídica, has handled the credits, as wsell as importing and selling inputs. APOGRA is considering taking over these activities.  
A recent IDB machinery loan was used to buy 8 harvesters for some large producer members, but this will also help small producers as it will relieve the pressures on the CODETAR harvesters that do custom work. The large producers naturally always tried to get priority for these CODETAR machines, but now they will have their own equipment.  
At least 80% of the members cultivate fewer than 10 ha.  
The Chemonics seed project has worked well in this area.
9. Needs: Production credit and TA. APOGRA is willing to pay for TA.

#### POTOSI DEPARTMENT

1. Name: Cámara Agropecuaria de Potosí (CAP)
2. Personería Jurídica: 1973.
3. No. members: 4 associations, with 1,600 individuals.
4. Budget: CAP earns a profit (15% gross) on the drought recovery operations which it handles. Each association should pay US\$30/month, but they haven't required it this year because of the above income.

5. Area covered: Dept. of Potosi.
6. Principal products: Its members produce milk, livestock, fruit, potatoes, and grains.
7. Services to members: Negotiate credits, sell seed potatoes.
8. Brief description: The Chamber was formed first and the associations later. The potato producers are a majority, with 900 members, while the fruit producers total 400, grain producers 250, and cattlemen 50. Almost all the producers are small. The CAP officers volunteer their time, except for the salaried member who serves as manager. CAP has rented offices, with a manager, project administrator, accountant, and secretary. The member associations are based on products, rather than geographical areas, because the individual farmers believed they would be more efficient, even though many of them with diversified production would need to belong to more than one association.  
CAP could work with AgroCentral, but ACLO is too politicized. CAP officers believe that a chamber should be primarily technical and serve as a negotiating body for its members in seeking credit, favorable laws, etc. Their services to members have been slight so far, but they hope to improve. They expect final approval soon (after 3 years of effort) on loans for 50 tractors, which will go to groups of 5, who cultivate a total of 25-30 ha. The CAP is serving as guarantor, as well as individuals in each group who have urban property. The tractor titles will be in the names of these people. They are going to install a soils laboratory, as they know their soils are deteriorating, and now they have to guess about the correct fertilizers to use.
9. Needs: Investment and operating funds, pathology and soils laboratories, professional staff, and TA for many production problems. CAP needs to create alternate income sources, i.e., the sale of inputs and marketing services. They need in-depth product studies because now they can only speculate about the feasibility of expanding potato production, for example, in which members are quite interested, because they lack reliable data.

#### CHUQUISACA DEPARTMENT

1. Name: Cámara Agropecuaria de Chuquisaca (CACH)
2. Personería Jurídica: 1984.
3. No. members: 15 provincial and cantonal associations with 7,000 individuals.
4. Budget: Profits from input sales and association quotas provide funds to pay a manager, accountant, 2 assistants, and a secretary. Each association pays \$60 million pesos/month (equivalent to US\$30), plus \$4 million/month (US\$2) for each individual member. Some charge their own members the equivalent of 1 kg of potatoes or whatever the local product is. CACH is going to charge 1% of the credits it gets for its members.

5. Area covered: Dept. of Chuquisaca.
  6. Principal products: Potatoes.
  7. Services to members: Input sales (only to members), credit negotiation.
  8. Brief description: CACH has a very different conformation from that of CAO in Santa Cruz, being based on regional associations instead of product specialties. Production here is very diversified. CACH was founded with the purpose of financing agriculture needs, including mechanization, marketing, and processing. Mechanization is indispensable, they say, to modernize the backward agriculture in the Dept. The Chamber was originally born as an association of individuals, but interest spread so rapidly, the idea of the Chamber was suggested and quickly accepted. Many of the original members had been excluded from the cooperatives because they were considered too big.  
They urgently require working capital of US\$113,000,000 as a minimum, according to a study made for the government of Rumania, and CACH says this may be too little. CACH has managed only one loan, so far, for working capital, from the CAF/Banco Central. There is a problem without a good solution: when capital is limited, is it better to divide it in worthwhile quantities among a realtive few or to give a little bit (gotas) each to thousands? CACH also negotiated a machinery loan (tractors, pickup and light trucks) from Argentine funds resulting from their gas purchases from Bolivia. Bolivian commercial banks handle these funds, demanding mortgages, etc., which many CACH members cannot satisfy. For its own good name, also, CACH must be careful about which members use these credits, as it cannot afford to have many defaults. This machinery loan will benefit 766 members, since each vehicle will be used by a group of 5 people. The CACH favors a national chamber, but if this isn't possible, they will foester a regional, southern chamber, with the principal purpose of defending against a new agrarian reform law.
  9. Needs: TA in administration, project feasibility studies, marketing, production (including irrigation, perhaps drip, and fruit production, especially peaches).  
An office is needed, as the present one is lent by the Cámara de Comercio. They need a computer to keep track of the data on inputs and loans, plus all the activities they are planning.
1. Name: Central Local de Cooperativas Agropecuarias (AGROCENTRAL)
  2. Personería Jurídica: 1974
  3. No. members: 16 communities, with about 4,400 individuals, plus one cooperative (COINCA) with 32 communities and 450 members.
  4. Budget: They received one US\$10,000 grant on formation, and since then have received small, continous subsidies from the church, as well as different grants and subsidies from the Interamerican Foundation, the Swiss Office of Technical Cooperation, the International Red Cross, Misereor, Caritas, Treveris, and others.

5. Area covered: Dept. of Chuquisaca.
6. Principal products: Potatoes, barley, wheat, fruits.
7. Services to members: Education, marketing, production, and administrative TA, whortwave radio contact, input sale, negotiate credits, proficing transportation, accounting.
8. Brief description: The church formed several cooperatives in the 1960s and formed AGROCENTRAL in 1974 to oversee them and to help them market their products, but inputs, negotiate credits, learn from each other's experience, and to provide TA in administration and production. Some communities have separated over the years, for conflicts of interest or personal motives, and some have returned later, following a change of opinion or the election of a new board of directors.  
 Their salaries are very low, i.e., their agronomist earns US\$60/month (they used to have two, but one quit), their three promotores técnicos are paid US\$27/month.  
 In some ways, the brewery works better than AGROCENTRAL, giving production advances, providing field agronomists, and in general promoting production.  
 AGROCENTRAL used to be more interested in education, helping with administration, and selling consumer needs, but they are shifting more to production and marketing. Part of the explanation is that for a long time the sale of basic consumer items at low prices was a very visible, concrete motive for participating in the organization, but now that contraband (and the accompanying tax evasion) has become so widespread, AGROCENTRAL can no longer compete in price, and many members are drifting away. AGROCENTRAL is now looking for other services that would attract members.  
 Too many campesinos have looked at AGROCENTRAL as a cow to be milked for whatever could be got, but this attitude must be stopped. If it persists, the communities will never progress and will never become independent. Too many cooperatives elect priests or rural teachers as their president, and these tend to dominate the meetings.
9. Needs: TA in administration, production, marketing. Their promotores técnicos were prepared by agronomists for production assistance, but the training for marketing was by people from the Education section, who may have prepared them well ideologically but probably poorly in marketing. They have no accurate data on their individual members, as areas farmed, crops and cultural practices, etc. They would like to carry out a census.

1. Name: Asociación de Productores de Hortalizas y Legumbres (ASOPROHL)
2. Personerfa Jurídica: Approved in Chuquisaca Dept., now pending in La Paz.
3. No. members: 397, plus one cooperative with 70 members.

4. Budget: Profits (15% gross) on input sales. Sales prices are indexed to members' crops, as one bag of fertilizer = X kg of potatoes. Two years ago CARE gave US\$21,000 for a revolving working capital fund, but a lot of this was lost with the inflation before they started indexing loan values.
5. Area covered: Region near Sucre. They have no vehicle to go further.
6. principal products: General horticultural crops.
7. Services to members: Production TA, inputs, short courses.
8. Brief description: The purpose of ASOPROHL is to help the small vegetable producer to be more productive, through TA, credit, helping market. They pay US\$120 month for an agronomist. They plan to get a motorbike soon.  
They do not give credits to members who do not depend on agriculture for their living. The rate of repayment for the first year's loans was 78%, and is something over 50% so far on the loans now coming due with the current harvest.  
ASOPROHL is a member of the Chamber, but the Chamber officers did not inform ASPROHL of the meeting with us. The Chamber is very closed and is run by a small group of friends, who are individual members of the Chamber. The Chamber purchase of Argentine equipment was at prices far higher than in Brazil.  
The rate of repayment of the first year's loans was 78% and something over 50% so far on the last loans, with harvest not yet over.
9. Needs: TA for ASOPROHL and for its members, in administration and in production. Working capital and a vehicle are needed.

## COCHABAMBA DEPARTMENT

1. Name: Asociación Departamental de Avicultura (ADA)
2. Personería Jurídica: 1970
3. No. members: 56
4. Budget: A Decreto Supremo of 1979 provides for payments of 1.5% of the value of broiler chicks, 3% of the value of chicks for egg production, and 1.5% of the value of poultry feed to the poultry associations of Bolivia. Some 30% of ADA's income is from profits on input sales.
5. Area covered: Dept. of Cochabamba.
6. Principal products: Poultry eggs and meat.
7. Services to members: Inputs (medicines, sometimes baby chicks), TA (ADA pays two MACA veterinarians of the Servicio de Sanidad Avícola, and is sponsoring a Peruvian pathologist and a nutritionist who are soon coming here for a week of talks, courses, and farm visits).
8. Brief description: Founded in 1970 by a fusion of two existing cooperatives, one for eggs and one for broilers, ADA today owns its own offices and other buildings and the lots on which these stand. All commercial poultry producers (5,000 or more broilers or 2,000 or more hens) here belong to ADA. Poultry production in Cochabamba has

been consolidating in fewer and fewer hands, until today 4 large firms control most of the output. Decapitalization due to the recent inflation broke many small and medium producers. The large firms with their own feed mills were able to get warrant loans on stored feedstuffs and pay back the loans with pesos worth only a fraction of their original value. Today, almost all the small producers are working under contract for one of the big four. Some medium producers are also working under contract, while others remain independent. ADA members include hatcheries and feed mills in addition to poultry producers, as such, the big four firms are vertically integrated, from breeding flocks and hatcheries, through feed mills to production and processing. There are some obvious possible conflicts of interest, as, for example, when ADA supports the prohibition of baby chick imports from Chile, directly benefiting the hatcheries and harming the far more numerous producers who have to pay more for the local chicks. There was formerly a national poultry association, but the Santa Cruz association withdrew and the national association fell apart. There will be a national poultry congress in Cochabamba, May 1-2, and ADA will try to revive the national association again. ADA has recently started a TV advertising campaign in Cochabamba to promote the consumption of broilers and will soon begin with eggs. ADA tries to bring 2-3 poultry experts annually, working through such drug firms as Ciba Geigy. The last Latin American Poultry Congress was attended by 26 members of ADA, and usually at least one member goes to every international event of interest.

There have never been any poultry marketing studies. USAID/CODETAR started the Tarija project without consideration of the increased production effects. When Tarija lowered prices to try to penetrate the Oruro and Potosi markets, Cochabamba immediately met the. Cold storage facilities are almost totally lacking in Bolivia now, but ADA or individual Cochabamba firms are considering building them in producing areas and in the principal consumer markets, as well as buying refrigerated trucks.

Cochabamba producers have a climatic advantage over the Santa Cruz producers, but the latter have the considerable advantage of nearby corn and soybean production. Many Cochabamba firms have been diversifying over the last 2-3 years, buying into Cruceño poultry firms for an estimated US\$5 million.

There is a serious lack of reliable statistics in Bolivia.

9. Needs: Production TA is always needed. ADA needs working capital to buy inputs, especially feedstuffs for medium producers who make their own feed and have so far managed to stay independent of the big firms.

1. Name: Cooperativa Integral de Servicios Cochabamba, Ltd.  
(Punata)
2. Personería Jurídica: 1977

3. No. members: 33 cooperatives, with 5,000 individual members.
4. Budget: Profits are earned on milk and input sales.
5. Area covered: Valley and Altos around Punata.
6. Principal products: Potatoes, maize, barley, milk, vegetables.
7. Services to members: Sale of inputs, credits, marketing (especially milk, for which they have a refrigerated, 3,000 liter holding tank, since 1980).
8. Brief description: The cooperative has benefitted greatly from USAID, from its inception under AID auspices, through the loans from AID over the years, and from TA provided by the Robert Nathan project. AID helped with a working capital fund in 1977-78, but the inflation years almost wiped it out. They think they have learned to cope better now, as all credits are now indexed to the borrower's crop for which the credit is requested, but this can also be dangerous with wild price swings. At least, the borrower is now sharing the risk of changes. The last 3 years they have been working with PL 480 and the Central Bank, but the amounts cover only a small part of their needs. Only 2,000 members are considered eligible for credit. Requirements for credit are that one have been a member for a minimum of 3 months and have a savings deposit equal to 20% of the amount of credit requested, in addition to depositing 10% of the credit granted. Credits are given only to small campesinos, not to large producers or to storekeepers or truckers, for example, who can nevertheless be members of the co-op. New member requirements are that the person not only live in the area and have land, but he must also work the land personally. The Co-op has 12 people on salary, all of them children of co-op members. (There were formerly 18, but they have had to cut back because of the economic situation.) Children of members are preferred now because experience has shown that employees with no family ties to the community are much less stable and have a higher turnover.  
PIL formerly had a veterinarian stationed with the Co-op, but the economic crisis caused them to drop him. Although a lot of maize is produced in this area, it is used only for chicha and human consumption. Hybrid corn used in poultry feed comes entirely from Santa Cruz.
9. Needs: TA for production and to prepare feasibility studies. FENACRE can do studies, for which they charge, but the problem is that marketing is an indispensable part of every project, and FENACRE is not interested in that aspect. A computer is needed, as they are now swamped under filing cabinets. They have an "old" IBM computer acquired a few years ago from PL 480 in some way, but it appears not to be used. They say its screen is very tiny--it is about 4"-- and its capacity very small. It was used, nevertheless, for about 2 years, but the operator trained to use it left the job, and there was no one to take over. This is one of the reasons they now prefer children of members.

1. Name: Asociación de Productores de Leche (Cochabamba)
2. Personería Jurídica: 1961.
3. No. members: 1,200.
4. Budget: 2% of the value of deliveries to PIL.
5. Area covered: A radius of 25 km around the PIL plant
6. Principal products: Milk.
7. Services to members: Importation of equipment, pharmaceuticals  
semen (from Atlantic Breeders and American Breeders, US firms) for  
artificial insemination; TA is occasionally offered via classes on  
irrigation, fertilizers, forrages, etc.
8. Brief description: All the milk producers around the city of  
Cochabamba belong to this association. (Although at another point,  
they said that a co-op of producers, fomented by PIL, was formed about  
5-6 years ago--the Asociación de Productores de Leche de Cochabamba,  
which separated from the Association.) The recent drought and  
subsequent lack of forage has dropped the number of dairy cows here  
from the former 20,000 head to the present 10,000.  
PIL is the great enemy of milk production in Bolivia.  
For years, the association has fought for better prices for producers,  
but PIL has a conflict of interest with its mandate to promote  
national dairy production. Only 15% of the milk consumed in Bolivia  
is fresh milk produced in the country, while the rest is imported  
powdered milk, often donated. If powder is to continue to be  
imported, some percent of the sales income should be paid to the milk  
producers' associations. PIL should be transferred to the Corp. de  
Desarrollo and the producers given some participation in its operation  
Of the ,200 members, 92-3% deliver less than 120 liters per day, 5-6%  
from 120 to 250 liters, and 2-3% over 250 liters. They currently  
receive the equivalent of US\$.23 per liter, and the price should be at  
least 10% higher.  
The association has two artificial inseminators with the necessary  
equipment, a manager, secretary, cashier, file clerk, and two other  
employees.
9. Needs: TA for production and milk processing. Milk prices must  
be decontrolled, increased, or the producer must be helped with more  
credit and cheaper inputs.

1. Name: Asociación de Apicultores (ASOAPI)
2. Personería Jurídica: 1983.
3. No. members: 60.
4. Budget: Initial membership fee of US\$10, plus a monthly quota  
of a few cents (US) per hive.
5. Area covered: Valle Alto, Valle Central, city of Cochabamba  
and Chapare.
6. Principal products: Honey, royal jelly, pollen (?).
7. Services to members: Imported inputs (1,000 queen bees and  
some families, equipment, and drugs).

8. **Brief description:** Some 80% of the production of honey is in the hands of campesinos, generally using very primitive hives and equipment. A private firm, Apiarios Riviera, made up of members of ASOAPI and using modern production methods, has a contract with Sigma Laboratories in Cochabamba to deliver roya jelly, pollen, and propolis. Sigma is soon going to offer a product for burns, scrapes, etc.
- After a one and a half year delay in completing all the requirements, the association got a US\$100,000 loan from USAID, but it was eventually discovered that one of its clauses stated that it could not be used for "live animals", i.e., bees, so it was dropped. One member has requested a loan for US\$30,000 from the Banco Ganadero to increase his production, and a Sr. Javier Tello, of "La Reina", another private company, has solicited US\$60,000.
- None of the members is really more than an amateur in technique. They urgently need TA in production and health measures before some disease breaks out. The association sponsored a short course in royal jelly production.
- There is an association of beekeepers in Sucre, promoted by CARE, a beekeeping project for campesino mothers in Cochabamba, and another project in San Isidro (Santa Cruz?).
- There are about 500 hives around Cochabamba. The largest producer has about 60-70 hives, while the majority have only a single hive. Very few people are devoted exclusively to beekeeping in this area. Many commercial producers have their hives in Cochabamba during the spring and summer, but move them to the Chapare for the fall and winter. They have tried leaving them there all year, but the bees have serious problems in the rainy season. This year, they are going to build a little overhanging roof on the hives left there.
9. **Needs:** TA for advice on processing and quality control equipment, bee-carrying capacity of different floral areas, prophylactic measures, general production, and marketing. They need investment credit.
1. **Name:** Asociación de Productores de Pap (APP)
2. **Personería Jurídica:** 1977.
3. **No. members:** 40,000 individuals in 360 communities.
4. **Budget:** The APP has no budget and depends on CEDEAGRO for its small operational expenses. CEDEAGRO receives help from religious sources and from the Canadian Government (CIDA).
5. **Area covered:** Dept. of Cochabamba.
6. **Principal products:** Potatoes.
7. **Services to members:** Inputs, TA, negotiate credit, marketing.
8. **Brief description:** APP was formed during the Banzer regime when syndicates were prohibited, aided by CEDEAGRO, a church-based group, which continues to collaborate with it and to handle much of the administrative work. In fact, it is impossible to analyze the APP without simultaneously including CEDEAGRO, as it is the motor which keeps APP going. In addition to church aid, CEDEAGRO receives major financial support from the Canadian Government. It has 5 agronomists, 1 educational specialist, 1 economist, and 1 psychologist.

APP members are really the communities, not individual persons, as it is the community that decides whether to join APP. If the decision is favorable, then everyone in the community must participate.

CEDEAGRO works with the campesino syndicates, acting somewhat as their economic arm. In every participating community, a collective enterprise is required, be it a potato plot, poultry, cattle, or the like. If the land used by the group is private, and not voluntarily ceded, rent is paid to the owner. Although, labor is required of everyone, workers are paid going wages. Any resulting profits are used as the community decides.

Input stores have been organized in many communities, small irrigation projects have been carried out in a few instances, classes have been taught showing how to calculate and use production cost data (as deciding between alternative crops, say, or the profitability of a proposed irrigation project), and some production TA has been provided. The input stores sell their products at cost, with the explanation given to us that prices were increased, they would then be the same as those in private businesses, and the APP would lose part of its attraction to campesinos. Attempts have been made to help with marketing in about 30 communities, but without real success to date. Transportation is a great problem, with transportistas conspiring among themselves to keep rates high. (Opinion: Although there is some tendency in CEDEAGRO/APP to blame the economic system and the unscrupulous middleman, there is also a semi-realization that is really potato overproduction that is the principal cause of low prices and that crop diversification is necessary.)

They have participated in meetings about forming a chamber, but there is nothing beyond endless discussion about how to decide which groups get how many votes. They doubt that a campesino group will have any power in a chamber dominated by non-campesinos.

9. Needs: APP needs tractors and trucks more urgently than anything else. However, the need to diversify production also requires TA to determine which crops are most feasible (probably fruits and flowers, among others) and then to help with the many production details (varieties, irrigation, inputs, techniques) and marketing. CEDEAGRO has no budget for any TA beyond their own limited staff. This has been one of their continuing worries, and they have sought help from various sources. They have contacted a merchant who handles fruits and flowers and requested his help, and while this can be very useful, especially at the beginning, it is also probably limited in its possibilities. They have contacted academic specialists, but these tend to be somewhat theoretical and unwilling to really study the different farm details and the practical, operational aspects of their recommendations.

They have contracted with the firm of a Mr. Galindo to make a study for a dam, and he has been very cooperative, charging a reasonable price and indicating a willingness to work with them in the future. Too many specialists have no social conscience and charge prohibitive rates. As a concrete example of their TA needs, one village produces lots of cherries and has a potential for more, but deficient and

expensive transport makes marketing difficult, the village is experimenting with production of a liqueur, but strictly by trial and error, as no one knows anything about the proper technique. A short-term specialist could make all the difference between success and failure.

CEDEAGRO and APP would gladly work with any organization which has TA.

1. Name: Acción Rural Agrícola de Desarrollo Organizado (ARADO)
2. Personería Jurídica: 1964.
3. No. members: 2,200.
4. Budget: Three sources: marketing members' output, selling seed potatoes, and selling other inputs. Marketing the output is not very profitable, but selling seed is quite profitable. ARADO has no grants or subsidies.
5. Area covered: Dept's of Santa Cruz, Cochabamba, and La Paz.
6. Principal products: Potatoes.
7. Services to members: Eight agronomists and 7 assistants, with vehicles, provide production TA. Five trucks and storage facilities are used for marketing.
8. Brief description: Many ARADO members also belong to the APP, since they cover some of the same area. These APP members tend to be the more individualistic and entrepreneurial ones. Neither CEDEAGRO nor the syndicates oppose ARADO or try to prevent their members from joining it.  
The IDB has lent ARADO working capital (6 month loans) to finance the seed and other inputs. In exchange for input credit, the member has to deliver 70% of his production to ARADO to market, assuring credit recuperation and some basic amount to market. IDB also financed the purchase of the 5 trucks and storage facilities, with a 40 year, low interest loan.  
ARADO has participated in talks for some years now about forming a chamber, but the debates center about how the representation and votes will be decided and whether one method or another favors the dairymen or the poultrymen more. The chamber here should be similar to the one in Santa Cruz, but narrow, personal interests must first be overcome.
9. Needs: Production TA and a computer system.

1. Name: Asociación de Floricultores
2. Personería Jurídica: Applied for, pending.
3. No. members: 24.
4. Budget: US\$50 entry fee, plus US\$10/month.
5. Area covered: Valle Central and Valle Alto.
6. Principal products: Roses, carnations, tuberose (nardo).
7. Services to members: Bulking small individual deliveries to get economies of scale for air shipment rates, customs procedures, and handling by distributor in Miami, Florida; informal TA among members.

8. Brief description: This association was formed for two related motives, one to negotiate loans and the other to increase flower production (by improving TA, getting loans, recruiting new producers). The original members have been growing flowers and exporting them for some years, but realize the important scale economies which can only be achieved through markedly increasing the number of producers. They are partners in a distributing firm in Miami, Bolivian Flowers. There are 4 other flower exporting firms in Bolivia.

Of the present 24 members, 12 requested and received loans from PL 480. Flower production is capital intensive and requires many imported inputs. The Bolivian customs code did not contemplate several items needed for flowers, and the Association managed to get liberation for them. The 12 members who received the loans are now devoting full time to raising flowers, while the other 12 are going ahead very slowly on their own, on a part time basis.

A group of 6 campesinos has formed Asociación de Floricultores de Punata and are requesting credit from PL 480. The leaders of the Association being described here believe this is the most promising avenue for quickly increasing production, and they have tried to encourage other campesinos to grow flowers. They have been buying nardos (tuberoses?) from campesinos for some time and have tried to promote interest in them. For example, they have given fertilizer at a nominal price, in exchange for a later delivery of a certain number of flowers. The Asociación in Punata is going to be accepted as a group member in the Association discussed here, paying only the fees of a single member. The main difficulty in greatly expanding campesino production of flowers is the heavy investment required. One of the problems in financing this is that CORDECO presently demands a minimum of 2,000 sq meters of flowers to be eligible for their help, but the Association believes this is too much for a campesino to start and that the minimum should be reduced to 500 sq meters. This lowers the loan needed and lowers the risk of the novice flower grower. The Association is trying to get CORDECO to agree.

Bolivian growers are competing with Colombian flower production now and believe they can do so even better in the future when they have increased production. Their most important flower at present is the rose, as the climate in Cochabamba is more favorable than in Colombia and the rose from here lasts several days longer. The main variety grown here, Samantha, has good demand in the US and receives a premium price. The demand is such that Bolivian growers will notg be able to fill it for many years.

A Dutch flower specialist from the seed/plant supplier came to Cochabamba, paid both by the supplier and by the Association. However, they need more frequent and varied assistance, in soils, especially, and in phytopathology. There are good specialists in these fields in Colombia.

LAB currently gives them the regular cargo rate instead of charging the usual rate of perishables. They need a cold storage unit now to hold their flowers in better conditions while awaiting flights, but

this will become indispensable as production increases. At some point, when they are able to charter flights, they will need to hold flowers longer, as these flights will be less frequent than the present scheduled flights.

9. Needs: TA, investment and operating credit.

#### LA PAZ DEPARTMENT

1. Name: Central de Cooperativas Aroma
2. Personería Jurídica: 1967.
3. No. members 800.
4. Budget: Member contributions.
5. Area covered: Aroma province, La Paz Dept.
6. Principal products: Member co-ops produce livestock, quinoa, potatoes.
7. Services to members: AIFLD has carried out several courses for members.
8. Brief description: Although founded originally in 1967, with 18 cooperatives as members, for various reasons it languished for many years. In 1984, it contacted AIFLD, and the latter has arranged courses in accounting, administration, etc. Now, the Central has just hired a manager and has plans for projects in livestock improvement, quinoa promotion, and mechanization.
9. Needs: Production, marketing, and management TA, and credit.

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LIST OF PERSONS CONTACTED  
DURING PP PREPARATION

Chuquisaca

Acción Cultural Loyola - ACLO  
Javier Velasco - Director  
Asociación de Productores de Hortalizas - ASOPROHL  
Oscar Alvarez - Gerente  
Agrocentral  
Félix Paniagua Zambrano - Gerente  
Cámara Agropecuaria de Chuquisaca  
William Torrico  
Gonzalo Selame  
Jaime Selame  
Corporación de Desarrollo de Chuquisaca - CORDECH  
Edmundo Zelada - Asesor  
Armando Serrudo - Gerente UCF

Cochabamba

Asociación de Apicultores  
José Carlos Blanco Antezana - Presidente  
Asociación Departamental de Avicultores - ADA  
Willy Soria - Presidente  
Asociación de Floricultores  
Carlos Hinojosa - Presidente  
Alfonso Saavedra - Asesor  
Asociación de Productores de Leche - APL  
Mario Mercado - Presidente  
Asociación de Productores de Papa - APP  
Marta de García - Asesor CeDeAgro  
Rodolfo Arce - ARADO  
Cooperativa Integral de Servicios de Punata  
Guido Delgadillo - Presidente  
Emilio Canno - Gerente  
Secretaría de Desarrollo del Trópico Boliviano  
Oswaldo Antezana

La Paz

American Institute for Free Labor Development - AIFLD  
Richard Oulahan - Director  
Jaime Vásquez - Advisor  
Liga del Medio Ambiente - LIDEMA  
José Lorini - Presidente  
Javier López - Secretario Ejecutivo  
Ministerio de Asuntos Campesinos y Agropecuarios - MAACCA  
Alejandro Pachecho - Subsecretario de Asuntos Campesinos  
P.L. 480 Secretaría Ejecutiva  
José Sanjinés - Subsecretario Ejecutivo  
Reynaldo Marconi - Jefe Departamento Económico

Oruro

Central de Cooperativas Aroma  
Alberto Quiroga - Presidente  
European Economic Community  
Rudy Solleneck - Director

Potosi

Cámara Agropecuaria de Potosí  
Juan Aitken  
Jaime Acuña  
Jorge Tórres  
Gustavo Díaz

Santa Cruz

Cámara Agropecuaria del Oriente - CAO  
Mario Melgar Peredo - Vice Presidente  
Ovidio Roca Avila - Asesor General  
Centro de Investigación Agrícola Tropical - CIAT  
Roberto Baldomar - Subdirector  
Corporación Regional de Desarrollo - CORDECRUZ  
Juan Galvez - Ayudante de Presidencia  
Asociación Departamental de Avicultores - ADA  
Juan Alberto Rojas - Gerente  
Asociación de Horticultores y Fruticultores - ASOFRUT  
Renato Leigue Rivera - Presidente  
Juan Carlos Alvarez - Gerente General  
Asociación de Productores de Algodón - ADEPA  
Ernesto Antelo - Gerente  
Asociación Nacional de Productores de Maiz y Sorgo - PROMASOR  
Melgior Baeny González - Gerente General  
Federación Nacional de Productores de Oleaginosas - ANAPO  
Mario Moreno - Gerente General  
Federación de Ganaderos de Santa Cruz - FEGASACRUZ  
Freddy Teodovich - Gerente General  
Federación Nacional de Cooperativas Arroceras - FENCA  
René Santo - Presidente  
Bernabé Yupanqui - Tesorero  
Roberto Castro - Asesor, AIFLD  
Financiera de Desarrollo, S.A.-FINDESA  
Karin Steinback-Gerente

Tarija

Acción Cultural Loyola-ACLO  
José Félix Guitiérrez  
Marcos Vandervelt

Asociación de Avicultores  
Omar Krayacich-Presidente  
Ricardo Valdimir-Asesor  
Asociación de Cañeros (nine different groups)  
Francisco Montero-Presidente, 15 de Abril  
Asociación Departamental de Lecheros de Tarija  
José Bazoberry-Vice-Presidente  
Jaime Luján  
Heliodoro Macillo  
Federación de Ganaderos del Gran Chaco  
José Sanchez Moreno  
José Romero  
Asociación de Productores de Algodón del Gran Chaco  
Pastor Grajeda-Presidente  
Edgar Rodo-Gerente  
Asociación de Productores de Oleaginosas y Granos-AFOGRA  
Alberto Quiroga-Presidente, Yacuiba  
Mario Magro-Representante  
Educardo Sanjines-Presidente, Villamontes  
Asociación de Viticultores-ASOVIT  
Jorge Vito Blacut-Presidente  
Santiago Sfarcich  
Hugo Muñoz  
Cámara Agropecuaria de Tarija-CATAR  
René Paz-Presidente  
Jaime Castellanos-Vice-Presidente  
Cámara Nacional de Diputados  
Hon. Manuel H. García Mealla-Diputado  
Cooperativa Integral Campesina-COINCA  
Esteban Fernandez-Presidente  
José Sigler-Gerente  
Cooperativa Integral del Gran Chaco  
Never Pacheco-Gerente

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ANNEX G

SOCIAL SOUNDNESS ANALYSIS

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## I. SOCIAL COMPOSITION OF THE AGRICULTURAL SECTOR

### A. Background

Until 1953, the agricultural sector in Bolivia was in the hands of a small elite that controlled not only the land, but also the labor of large numbers of Indians. This small elite produced all of the agricultural goods for the urban and mining centers. The Agrarian Reform of 1953 distributed the hacienda lands among the Indians, thereby putting an end to an era. Since then, campesino, (Indians before 1953) have been the producers of food for the growing urban centers.

The Agrarian Reform, plus a series of educational, political, and social reforms initiated after 1953, set in motion social and economic change processes which have kept the rural areas in a constant state of flux. Large numbers of campesinos have moved to the cities, as well as to sparsely populated lowlands. Large numbers of these rural peasants have become traders, truckers, unskilled and skilled urban workers, members of the armed forces, teachers and professionals. However, despite this considerable social, cultural, economic, and geographic mobility, an estimated 48% of the total population still resides in the rural areas, and the majority of these rural residents are agricultural producers.

Adding to the complexity and heterogeneity of the agricultural sector in the 1960's, a new category of agricultural producer began to gradually appear in previously campesino-dominated agricultural activities and regions. This new category has been made up of urban based professionals. The agricultural endeavors selected by these urban-based producers were, and are, for the most part based on relatively high technology, and tend to be capital intensive. More recently, limited non-agricultural employment opportunities have further induced an ever growing number of urban residents to turn to selected agricultural activities as a way of supplementing their incomes.

It is against this background that current private agricultural producer organizations must be analyzed to appreciate their potential as mechanisms in the attainment of the Project's goal and objectives. In the pages that follow, the actors composing the agricultural sector are briefly described, and their agricultural organizations analyzed in terms of their potential as sources of production related services.

#### Campesinos (Peasants)

Approximately 48% of Bolivia's population, or 2,800,000 individuals, live in the rural areas. The vast majority are classified as campesinos. They are located mostly in the altiplano and high valleys of the densely populated one-third of the country (in parts of the Departments of La Paz, Cochabamba, Chuquisaca, Potosí, Oruro and Tarija). A large part of these campesinos are of Quechua and Aymara ethnic origin, and include a substantial proportion of non-Spanish speakers.

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A production strategy primarily oriented towards satisfying family needs, as well as employing family labor, has characterized this segment of the population, which has lived in isolated and difficult to reach rural communities. Over the past thirty years, as the urban areas have grown, and various rural development programs have reached many rural communities with roads and other services, most campesinos have begun to market increasingly larger portions of their production. Additionally, the size of land-holdings, as well as proximity to a market, and the type of crop produced, have been determining factors in campesino participation in the market economy.

Today, campesino agricultural production continues to be the main source of food in Bolivia (with some notable exceptions, such as poultry, eggs, beef, and soybeans), and is the only source of employment for the vast majority of rural dwellers. Despite the fact that campesino agriculture has evolved considerably in the past thirty years, it is still characterized by low levels of productivity, labor intensive technologies, and inadequate usage of modern inputs. A complex set of severe limitations has impeded a greater development of campesino agricultural production. Among the most notable are:

- limited demand (no export potential and few accessible markets), for "traditional" campesino crops;
- politically determined prices, which rarely cover production costs;
- fragmented and minuscule land-holdings, due to high population growth;
- inadequate or non-existent technical assistance, and,
- high transportation costs.

These limitations have not only impeded the development of campesino agriculture, but have also provided strong incentives for the migration of vast numbers of rural dwellers to urban areas and to new settlement areas in the lowlands.

## 2. Colonos (Settlers in the Lowlands)

Colonos are the second largest category of agricultural producers in the sector. In 1978 their number was estimated at around 65,000 families settled since the late 50's in four regions: the Alto Beni, the Chapare in Cochabamba, Bermejo in Tarija, and Northern Santa Cruz. Since then, their numbers have probably doubled as the original areas expanded and new ones opened.

Success by these settlers in areas where commercial crops are produced (sugar cane, soybeans, rice and coca), as well as the fact that land parcels of up to 50 hectares could be obtained, has induced a growing number of campesinos to migrate to the lowlands. The success of the colonization movement can be measured by the fact that fully two-thirds of all settlers are "spontaneous". That is, they have moved under their own initiative, with no support or aid from the government. Colonization has, in fact, become not only a geographic move, but also a socio-economic and cultural one. These settlers often insist on being referred to as colonos to differentiate themselves from campesinos.

The colono agricultural farming system is a mix of commercial and subsistence agriculture. Each colonization area has developed around the production of one or more commercial crop(s); the Alto Beni produces cacao and rice; Santa Cruz, sugar cane and rice; Bermejo, sugar; and the Chapare, coca. A colono's strategy is to produce one or more commercial crop(s) for cash, and additional crops as needed for subsistence. The Chapare with its coca production is perhaps the clearest example of the commercial orientation of the colono. The extremely high incomes obtained from coca production have led to specialization in it, rapid adoption of modern inputs, technology innovation, etc. The Chapare has, in effect, become a net importer of food, including rice, which prior to coca's dominance was its main commercial and subsistence crop.

Other colonization areas continue to rely on one or two commercial crops. Colonos face great difficulties in developing their agricultural production basically for the same reasons that affect the highlands: a lack of markets, high transportation costs, almost non-existent infrastructure, and a lack of technical assistance, and agricultural inputs.

### 3. Non-campesino Farmers

Non-campesino farmers constitute the third and newest category of producers in the sector. There is no estimate of their numbers; however, they are known to be a small, but influential, minority. Their presence varies considerably from region to region. They are most notably present in the Eastern lowlands (Santa Cruz, Beni, Pando) and in Tarija and Cochabamba.

Non-campesino involvement in agriculture is especially visible in high-value, non-traditional crops, and most notably in commercial crops and livestock. Urban professionals predominate among the non-campesino farmers. They are normally found near cities and towns in areas with good roads. (The exception to this being livestock production in the Beni, where there are no roads, and where most everything travels by airplane.)

Non-campesino involvement in agriculture is highly selective and is normally reduced to profitable non-traditional crops. Non-campesino farmers tend to specialize in one crop using relatively high technology and capital intensive production systems. However, since for most non-campesino farmers, agriculture is a new activity, their effectiveness and productivity levels vary considerably. Furthermore, their commitment to agriculture is also questionable given the fact that for a considerable number, agriculture is a part-time, supplementary activity.

#### 4. The Role of Women

In almost no cases are women members of the vast majority of PAPOs considered to be within the target population. This can best be attributed to social custom deeply imbedded in the culture. Nevertheless, it is widely known that women make up a substantial portion of the agricultural work force, especially in the campesino sector. As such, the Project will follow a policy of biasing its activities towards 'open' organizations which allow for anyone to be a member who is a producer of a particular crop, or is from a particular region.

#### B. Social Mobility: the "Peasantization" of the Cities and the Gentryfication of the Countryside

Since 1953, the main avenue of social and economic mobility for the campesino has been migration to urban and colonization areas. In 1976 (date of the last census) one out of every four Bolivians had migrated. Two-thirds, or approximately 750,000 individuals, had moved to an urban area. The majority were from rural communities and towns, although urban to urban migration was also considerable. The remaining third of the migrants were absorbed by colonization areas in the lowlands.

Accompanying this migration to the cities, which often took the pattern of migration from a dispersed rural community to a rural town and finally to the city, was a strategy of economic diversification. The most common activities were petty commerce and transportation for the first generation, and a trade or professional occupation for the second. Some colonos also eventually ended up in an urban area, although their route took them from a rural community to a colonization area and then to a city.

During these years (1950s-1980s) there was a notable lack of campesino investment in agriculture, probably motivated by the norm of below-cost, politically determined prices for agricultural products. Those campesinos who had capital, invested it in commerce, transportation, or urban properties rather than agriculture. Gradually, during this same period, there evolved a pattern of urban residents moving into rural areas in search of opportunities in agricultural production. This process, which can be called the 'gentryfication of the countryside', began in the 60's.

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After the Agrarian Reform of 1953 and up to the 60's, urban-based farmers were few and were mostly found in the lowlands. In areas of strong campesino presence, they were almost non-existent, although many urban residents, whose properties had been affected by the Agrarian Reform, maintained uncultivated parcels of land left to them by the reform process. Since the 60's non-campesino farmers have begun a gradual return to agricultural activities. The development of agro-industries and commercial crops with generous government assistance motivated many urban residents to return, or to enter, the agricultural sector as producers. The development of the dairy industry, initially in Cochabamba and later in other departments, as well as the poultry and egg industries, further stimulated non-campesino involvement. The technology level of these types of productive activities, as well as the capital needed, favored non-campesinos who were quick to seize the new opportunities.

The economic crisis of the last few years, as well as the contraction of employment opportunities in the public and private sectors of the cities, have been powerful incentives for the urban professional to look for opportunities in the agricultural sector. The consensus today is that selected agricultural activities are one of the few areas for potential growth and comparatively high incomes.

Although the involvement of urban-based producers in agricultural activities is having positive effects on some production levels, as well as helping to create a consensus of the importance and significance of the sector for the national economy, there is a real danger that if the benefits of this increased investment in agriculture do not spread to campesinos, the sector will become increasingly polarized with potential confrontations among the different socio-economic groups.

## II. THE RATIONALE OF PRIVATE AGRICULTURAL PRODUCER ORGANIZATIONS (PAPOS)

### A. Incentives to Associate

The main incentive for individual agricultural producers to organize is their need to have influence on policy makers and to have access to production related services and resources that can not be obtained individually. Past governments' dominant role in determining the prices of agricultural goods and in the provision of services and resources motivated producers to originally form organizations whose main function was lobbying. The majority of these organizations were dormant, activated occasionally to try to influence government's policies and/or the allocation of services and resources for the sector, subsector, or organized group.

The current government's policy of leaving agricultural prices to the market, combined with its lack of resources to provide services, is forcing many producers and their organizations to seek alternative ways to satisfy their needs. Presently, the most appropriate alternative to many of them appears to be the producer organizations.

## B. Types of Producer Organizations

### Primary Level (Local)

#### 1. Sindicatos (Farmers' Unions)

The sindicato is the oldest and most widespread type of agricultural producer organization. It is found at the local level in almost every rural community. They are also organized at the regional, provincial, departmental and national levels. The membership in the Sindicatos is predominantly campesino. Their strength, as well as the capacity to deliver services, varies greatly from one to another. Promoted originally as the organizational structure to implement the Agrarian Reform, the sindicato's role has normally been that of a lobbying group to the government. A recent development by sindicatos has been the formation of Campesino Agrarian Development Corporations (CORACAS) as their specialized agricultural development services organizations. The CORACAS are in their formative stages and their strength and individual capacity varies, however, with their service orientation, they have the potential of becoming effective service delivery organizations for the campesino sector.

#### 2. Agricultural Cooperatives

Agricultural cooperatives are the second most common form of PAPO. They are found at the local (communal) and regional levels (federations). Although a large number of local cooperatives are similar in structure and function to the sindicatos, especially in some colonization areas, there are a small number of well established service cooperatives in different regions of the country affiliated to a Federation or "Central" of Cooperatives.

The membership of the cooperatives tends to be more heterogeneous than that of the sindicato, including more non-campesino producers as members. Cooperatives normally attempt to offer multiple services, and some in the past have been heavily subsidized by external donors. Some of the cooperatives visited (see Target Institutions Description Annex) are narrowing their services and are searching for mechanisms to cover the costs of these services.

#### 3. Federaciones de Productores (Producer Federations)

Federaciones are found among the producers of commercial crops in the colonization areas. These federations were normally formed to negotiate prices with a single buyer but have evolved into regulating organizations which allocate benefits and costs among the producers. They are almost always compulsory organizations, financed through obligatory membership fees. Since the price and the profit margins of

the commodities have often been protected by government sanctioned agreements to the detriment of the producers, these organizations at times have had to offer social-type services rather than production related services.

#### 4. Asociaciones de Productores (Producer Associations)

Asociaciones are the newest form of PAPOs in the sector. Their members tend to be predominantly urban-based farmers, although most include some campesinos as well. This is especially the case in the lowlands. There are, at least, two campesino dominated associations: the Potato Producers Association in Cochabamba, and the National Coffee Producers Association with offices in La Paz.

The distinctive features of the associations are their specialization in a single commodity and their service orientation. Initially formed as lobbying groups, most associations offer, or are attempting to offer, production and marketing related services to their members. The strength and capacity of an individual association varies and depends on its ability to elicit member contributions by offering needed services. Most associations offer limited services and their main accomplishments thus far have been in the area of lobbying.

With some notable exceptions, the associations are incipient organizations with a potential yet to be realized. Charismatic leadership, as well as the newness of the organizational form and its potential are currently their main strengths.

#### Secondary Level

Secondary level producer organizations, or organizations composed of primary level groups, are commonly the level at which service delivery is found due to considerations of economies of scale. Local unions and cooperatives rarely exceed 100 members and average 30 to 60 members. Among campesino producers, the regional union (Central Sindical) is the likely level where services can be delivered, and many of the CORACAs are being located at this level. An estimate of the number of producers affiliated at the regional level of a given organization is from 800 to 1,000. Even larger numbers of producers are organized in cooperative unions, or regional federations.

Producer federations and associations are relatively larger at the primary level than cooperatives or farmer unions. They usually claim to represent all producers of a crop in a given region which can number in the thousands. Active membership in these organizations is almost always a small percentage of the total claimed. However, associations do not necessarily need full membership participation to be effective, or to provide certain benefits to all producers of a crop regardless of their participation in the association. For example, the price of a commodity negotiated by an association usually affects all producers of that crop.

Producer associations are organized into agrarian chambers (Cámaras Agropecuarias) at the Departmental level in Santa Cruz and Tarija, and are in the process of being organized in Oruro, Potosí, and Chuquisaca. Except for Santa Cruz, the agrarian chambers are incipient organizations with relatively few members.

### III. THE POTENTIAL OF PRODUCER ORGANIZATIONS

There is, among all agricultural producers, a growing awareness of the need to find a way to obtain production related services. The lack of alternative services, whether from the government, or from private sector firms makes the private producer organizations one of the immediate alternatives and motivates producers to organize them. All four types of farmer organizations described above have the potential of becoming effective service delivery organizations and thus a Project defined "PAPO". Whether PAPO'S can realize their potential, however, depends on their ability to deal successfully with a series of constraints.

The capacity of a PAPO to effectively deliver services varies with the socio-economic and cultural characteristics of the members of the Organization. Low income, illiterate Quechua, Aymara or Guarani speaking campesinos, living in isolated rural communities are less likely to have both the resources and the managerial and technical skills needed to create an effective PAPO, than are non-campesino, urban-based professionals. The political clout, or lobbying effectiveness of campesino organizations is also likely to be less effective than that of urban professionals in influencing the allocation of resources both from the Project and from other sources. Finally, the long history of political manipulation of rural and agricultural organizations, especially campesino unions, constitutes one of the most serious constraints to open and efficient agricultural organizations.

Although these potential constraints are important in their effect on limiting the potential of PAPOs, it is their organizational structure that is of fundamental importance. Structurally, PAPOs can be distinguished as "open" or "closed" organizations, based primarily on the relationship between the services provided, and the mechanisms used to recruit and accept members and distribute costs and benefits.

#### A. Open Organizations

Open organizations are those that attract and keep all members through the services they offer. If the services are efficient and competitive, the producers have an incentive to support their organization voluntarily. Open organizations are open to all producers of a crop and/or in a given area. Members' benefits are allocated in proportion to their contributions. This allows for heterogeneous membership and provides incentives to the larger and better-off producers to support the organization. Proportional benefit distribution also

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permits a 'free-rider' effect, which can be important in benefiting smaller, marginal producers. Mechanisms for member contributions being tied to the services provided, contributes to the efficiency and competitiveness of the organization, and to responsive leadership and management. Open organizations can be found among all four types of existing producer organizations.

#### B. Closed Organizations

Closed organizations are those that restrict membership and use compulsory mechanisms to obtain member contributions. Closed organizations often have control over the number of producers, the acreage in production, and the price which a producer receives. They are the result of either government protection or a producer monopoly. The main service these organizations provide is the protection of the privileged position of the producers of a given crop. Since prices and profit margins are often fixed, there is little incentive to provide production related services. In effect, the non-representational or lobbying services provided by these organizations are normally of a social nature (schools, clinics, etc.). They are believed to have entrenched and unresponsive leadership and management, whose main functions are to negotiate prices and profit margins with a single buyer and to seek protection from the government. Closed organizations are common and also found in all four types of producer groups.

#### IV. SELECTION CRITERIA FOR PAPO SELECTION

The following criteria are based on a composite of positive social and organizational characteristics observed among the different PAPOs visited during intensive review. They are meant to contribute to the selection of PAPOs with the potential to become effective service delivery organizations reaching as many potential members as possible. The criteria are:

1. The organization should not be arbitrarily restricted. Membership in the organization should be open to all producers of one crop or in given area. Organizations should orient their services to heterogeneous social group of producers.
2. Incentives to join and support an organization should be based on the services the organization offers. The services should be narrowly defined to provide for the production and marketing needs of members.
3. The benefits of belonging to an organization should be higher than the costs. The benefits or services offered should have a comparative advantage over similar services available elsewhere.
4. Members' benefits should be allocated in proportion to their contributions. This allows for heterogeneous membership and provides incentives among the larger and better producers to support the organization. Proportional benefit distribution permits a 'free-rider' effect, which can benefit smaller, marginal producers.

5. The mechanism to obtain member financial contributions should be based and tied to the services provided. A common mechanism used is to proportionally charge the full cost of service delivery in accordance with the benefit to individual organization members.

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ANNEX H

COST ESTIMATE DETAIL

FIRST PART

COST ESTIMATE MAIN ASSUMPTIONS

The IOP cost estimate detailed in this Annex uses salary rates of \$200 per working day (wd) for both LT and ST U.S. advisors. In the case of LT advisors, this daily rate includes post differential for La Paz. For third country nationals (TCNs), the short-term and long-term daily rate is \$120/wd. Finally, for local hires, a daily rate of \$70 has been used (this represents a monthly salary of \$1,500).

The U.S. institutional contract assumes 70% overhead on total base salaries, 6% profit on total contract costs (i.e. direct plus indirect) and home office backstopping costs. This latter direct cost allows for a project manager at the home office (salary for 2 months per year) plus travel, per diem, and other direct costs for one trip/yr to Bolivia to oversee Project activities during the IOP. In addition, this U.S. institutional contract cost further assumes that logistic support costs (i.e. office space rent, office and household furniture and secretarial support for both LT U.S. and local hire staff) will be provided and arranged by the contractor using PL-480 funds. Finally, the funding for this TA contract comes from two sources (i.e. AID/FX and GOB/PL-480 I/C) with local costs being financed mainly by PL-480. Overhead and fixed fee for local hire staff, however, are funded by AID/FX.

The Project Coordinator estimated cost includes funds for a TCN PSC for 42 person months (pms). This cost will be totally funded by AID/FX including logistic support costs (i.e. office and household furniture).

The Project evaluations (4 mid-course and 1 final) will be furnished through a Technical Support to Mission (TSM) IQC. The local audit will be provided by a registered auditing firm.

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SECOND PART  
COST ESTIMATE DETAIL BY PROJECT COMPONENT AND BY FUNDING SOURCE  
(FIRST STAGE)

The LOP detailed cost estimate is prepared in two stages: the first stage conforms with the summary cost estimate table in the text of the PP. In this stage, the total direct costs (without HO backstopping cost) for all project components is a datum (taken from the Third Part) from which the total estimated cost (including HO office backstopping costs, overhead and fixed fee) is derived for all and each of the individual project components and subcomponents by funding source. The second stage provides a detailed estimate of total direct and indirect costs by type of contract, first, the TCN institutional contract (for ST/LT TA), second, the TCN Project Coordinator, and third, the TSM IQC (for the ex-post evaluations) and the local audit (local hire).

<u>I. Technical Assistance</u>	<u>AID/FX</u>	<u>P.L.480 L/C</u>	<u>PAP0 I/C</u>
A. Contract Advisors			
1. Long-term			
a) International (120 pms)			
-Total Direct Costs (please refer to third part for detail)	806,700	184,972	-
-HO Backstopping	7,959 <sup>1/</sup>	-	-
-Overhead (70% of total base salaries, i.e. of \$386,382 for U.S. experts plus 35% of prorated proj.mgr's salary, i.e. of \$4,714)	272,117	-	-
-Fixed Fee (6% of total costs from all funding sources above)	75,827	-	-
Total U.S.Long-Term TA Estimated Cost:	1,162,603	184,972	-
	=====	=====	
b) Local (168 pms)			
-Total Direct Costs	204,635	166,865	-
-HO Backstopping	11,143	-	-
-Overhead (70% of salaries i.e. of \$152,328 for LT local technicians plus 35% of prorated HO proj. mgr's salary, i.e. of \$8,800)	109,710	-	-
-Fixed Fee (6% of total costs from all funding sources)	29,541	-	-
TOTAL LOCAL LT TA ESTIMATED COST:	355,029	166,865	-
	=====	=====	

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<sup>1/</sup> Roughly prorated by dividing total HO backstopping costs (i.e. \$39,000) by total number of person months (i.e. 588 pms) and multiplying by the related

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2. Short-Term (177 pms,)			
(see footnote 2/ below)			
a) U.S. (59 pms)			
-Total Direct Costs	348,612	122,380	-
-HO Backstopping	3,913	-	-
-Overhead (70% of salaries, i.e. of \$259,600 plus 35% of prorated HO Proj.Mgr's salary, i.e. of \$3,090)	182,802	-	-
-Fixed Fee (6% of total costs from all funding sources above)	39,462	-	-
TOTAL U.S. ST TA			
ESTIMATED COST:	574,789	122,380	-
	=====	=====	
b) TC (59 pms)			
-Total Direct Costs	182,760	122,380	-
-HO Backstopping	3,913	-	-
-Overhead (70% of salaries, i.e. of \$153,400, plus 35% of prorated HO proj. mgr's salary, i.e. of \$3,090)	108,462	-	-
-Fixed Fee (6% of total costs from all funding sources above)	25,051	-	-
TOTAL TC ST TA			
ESTIMATED COST:	320,186	122,380	-
	=====	=====	
c) Local (59 pms)			
-Total Direct Costs	123,205	18,880	41,400
-HO Backstopping	3,913	-	-
-Overhead (70% of salaries, i.e. of \$88,500, plus 35% of prorated HO proj. mgr's salary, i.e. of \$3,090)	63,032	-	-
-Fixed Fee (6% of total costs from all funding sources above)	15,026	-	-
TOTAL LOCAL ST TA			
ESTIMATED COST:	205,176	18,880	41,400
	=====	=====	=====

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2/ The following is the distribution of ST TA by origin (U.S., TC, Local)  
under the institutional contract:

	<u>U.S.</u>	<u>LOCAL</u>	<u>TCNs</u>	<u>TOTAL</u>
-ST TA PER SE	59	59	59	177 (1/3 ea.origin)
-ST TA FOR TRAINING	25	25	25	75 (same)
-ST TA FOR OPERATIONAL SUPPORT	24	24	--	48 (1/2 ea.origin)
TOTAL	<u>108</u>	<u>108</u>	<u>84</u>	<u>300</u>
				===

B. Evaluations <sup>3/</sup> and Audit

1. Ex-post Evaluations

(Thru TSM IQC)

-Total Direct Costs	41,829	-	-
TSM IQC Overhead (40% of total salaries, i.e. of <u>\$23,837</u> )	9,535	-	-
-Fixed Fee (10% of total costs above)	5,136	-	-
TOTAL EX-POST EVALUATION ESTIMATED COST:	56,500	-	-
	=====		

2. Local Audit (Local hire registered auditing firm)

-Total Direct Costs	14,358	-	-
-Overhead (30% of salaries, i.e. of <u>\$8,200</u> )	2,460	-	-
-Fixed Fee (20% of total costs above)	1,682	-	-
TOTAL LOCAL AUDIT ESTIMATED COST:	18,500	-	-
	=====		

II. Training

A. Trainers to/in Bolivia (75 pms)

1. U.S. (25 pms)

-Total Direct Costs	148,606	51,355	-
-HO Backstopping	1,658	-	-
-Overhead (70% of salaries, i.e. of <u>\$110,000</u> plus 35% of prorated HO proj.mngr's salary, i.e. of <u>\$1,310</u> )	77,459	-	-
-Fixed Fee (6% of total costs from all funding sources above)	16,745	-	-
TOTAL U.S. ST TA (FOR TRAINING) ESTIMATED COST:	244,468	51,355	-
	=====	=====	

2. Neighboring Country (25 pms)

-Total Direct Costs	22,056	107,355	-
-HO Backstopping	1,658	-	-
-Overhead (70% of salaries, i.e. of <u>\$65,000</u> , plus 35% of prorated			
-HO prj.mngr's salary, i.e. of <u>\$1,310</u> )	45,959	-	-
-Fixed Fee (6% of total costs from all funding sources above)	10,622	-	-
TOTAL NEIGHBORING COUNTRY ST TA (FOR TRAINING) ESTIMATED COST:	80,295	107,355	-
	=====	=====	

<sup>3/</sup> During the LOP, the following ex-post evaluations are envisioned at the PP stage: - 4 mid-course evaluations, 2 advisors for 2 weeks each.  
1 final evaluation. 2 advisors for 3 weeks each

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3. Local (25 pms)			
-Total Direct Costs	-	61,675	18,400
-HO Backstopping	1,658	-	-
-Overhead (70% of salaries, i.e. of <u>\$37,500</u> , plus 35% of prorated HO prj. mgr's salary, i.e. of <u>\$1,310</u> )	26,709	-	-
-Fixed Fee (6% of total costs from all funding sources above)	6,507	-	-
TOTAL LOCAL ST TA (FOR TRAINING) ESTIMATED COST:	34,874	61,675	18,400
	=====	=====	=====
B. Participating Training			
1. Neighboring country			
-Total Direct Costs	126,500	11,700	-
-Overhead (70% of course fee, i.e. of <u>\$18,000</u> )	12,600	-	-
-Fixed Fee (6% of total costs from all funding sources above)	9,048	-	-
TOTAL ESTIMATED COST FOR PARTICIPANT TRAINING IN NEIGHBORING COUNTRIES:	148,148	11,700	-
	=====	=====	
2. In-Country			
-Total Direct Costs	-	33,022	11,080
-Overhead (70% of instructor's salary, i.e. of <u>\$2,500</u> )	1,750	-	-
-Fixed Fee (6% of total costs from all funding sources above)	2,646	-	-
TOTAL ESTIMATED COST FOR IN-COUNTRY ST TRAINING:	4,396	33,022	11,080
	=====	=====	=====

III. Operational Support

A. Small Grants Program: \$15,000 per Selected Participant PAPO x 20	300,000		
	=====		
B. Audio Visual Equipment lump sum of <u>\$20,000</u> will be provided to the project. For purchase of equipment to be used in training and environmental education activities.	20,000		
	=====		

Note: The following C&D project subcomponent is initially estimated by origin of services to be then converted by type of studies:

C&D. Commodity Studies and Policy Studies (a total of 48 pms, up to 10 advisors)

1. ST TA from U.S. (24 pms, up to 5 advisors)

-Total Direct Costs	128,082	45,830	-
-HO Backstopping	1,398	-	-
-Overhead (70% of salaries, i.e. of \$105,600 plus 35% of prorated HO prj. mgr's salary, i.e. of \$1,088)	74,301	-	-
-Fixed Fee (6% of total costs from all funding sources above)	14,977	-	-
TOTAL ESTIMATED COST FOR ST TA UNDER OP. SUPPORT FROM U.S.:	218,758	45,830	-
	=====	=====	

2. LOCAL ST TA (24 pms, up to 5 advisors)

-Total Direct Costs	-	74,724	-
-HO Backstopping	1,398	-	-
-Overhead (70% of salaries, i.e. of \$36,000 plus 35% of prorated HO prj.mgr's salary, i.e. of \$1,088)	25,581	-	-
Fixed Fee (6% of total costs from all funding sources above)	6,102	-	-
TOTAL ESTIMATED COST FOR LOCAL ST TA UNDER OP. SUPPORT:	38,081	74,724	-
	=====	=====	

Since half of the person months under C&D above have to be for commodity studies and the other half for policy studies, the total estimated costs from 1 and 2 above are combined, and divided by two to find the individual total cost estimates by type of study, as required by the PP table:

From III. C&D.1	218,758	45,830
From III. C&D.2	38,081	74,724
	<u>251,839</u>	<u>120,554</u>
Finally:	x .5	x .5
C. Commodity Studies:	125,920	60,277
D. Policy Studies	125,920	60,277
	=====	=====

IV. Project Support

A. Project Coordinator (TCN PSC, 42 pms)			
Total Direct Costs	235,700	-	-
	=====	=====	
B. Project Vehicles and Automation			
-3 4x4 vehicles at \$15,000/each (CIF La Paz)	45,000	-	-
-1 computer system (delivered)	10,000	-	-
TOTAL FOR IV. B.:	55,000		
	=====		

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V.	<u>Credit</u>			
	The sum of \$5,000,000 will be provided by the GOB to various project PAPOS over the life of the Project.	-	5,000,000	-
			=====	
VI.	<u>Contingencies</u>			
	3.2% AID contingency	133,000	--	-
		=====	=====	
	 Note: The resulting total estimated cost for only the U.S. Institutional Contract is as follows by funding source:			
		3,381,804	1,001,138	70,880
		=====	=====	=====

This is derived by summing up the total estimated cost for the following project components/subcomponents: Technical Assistance (only I.A., i.e. summation of A.1.a), A.1.b), A.2.(a), A.2.(b), and A.2.(c)), Training (both A and B, i.e. summation of A.1., A.2, A.3, B.1, and B.2). Note that there is a very insignificant difference between this total cost estimate by project component (\$3,381,804 and \$1,001,138) and that obtained by contract type (\$3,379,181 and \$1,000,000) (see Third Part, U.S. Institutional Contract) due to the prorating mechanism (i.e. HO backstopping cost) used in this part (FIRST STAGE). Also note that PAPO contributions (\$70,880) are contributed in-kind or deposited in a PL-480 account for use on AID and PL-480 PAPO assistance activities not covered by the Project, and not used to defray Project contract expenses.

ATTACHMENT B  
DETAILED BUDGET

<u>COST CATEGORY</u>	<u>Estimated Cost</u>		
	<u>Funding Source</u>		
	<u>AID/FX</u> <u>(in US\$)</u>	<u>GOB PL-480</u> <u>L/C</u>	<u>PAPO</u> <u>L/C</u>
<u>I. LONG TERM TECHNICAL ASSISTANCE</u>			
A. <u>Int'l Experts (120 pms)</u> (4 Organizational Analysis/Development Advisors for a total of 96 person-months and 1 Resource Procurement Expert for 24 pms))			
1. <u>Total Salaries</u>			
a. Base Salaries:	<u>447,087</u>	--	--
-LOP US Team (2 experts one for 24 working months (Resource Procurement Expert, this person may be a TCN also which would reduce the TA Team cost), and another one for 42 who will serve as Chief of Party) First Year: \$3,500/mo.x12x2, <u>\$84,000</u> Second Year: \$3,675/mo.x12x2, <u>\$88,200</u> (includes 5% salary inflator) Third Year: \$3,859/mo.x12x1, <u>\$46,308</u> (includes 5% salary inflator) Fourth Year: \$4,052/mo x 6x1, <u>\$24,312</u> (includes 5% salary inflator)			
-TCN Team (2 experts for 12 working months each and one for 30 wms) First Year: \$2,600/mo.x12x3, <u>\$93,600</u> Second Year: \$2,730/mo x 12x1, <u>\$32,760</u> (includes 5% salary inflator) Third Year: \$2,867/mo x 6x1, <u>\$17,202</u> (includes 5% salary inflator)			
b. Post Differential (25% of base salaries for only the U.S. team in I.A.l.a. above, i.e. of <u>\$242,820</u> ), <u>\$60,705</u>			
2. <u>Benefits, insurance, DBA, etc. (18%</u> <u>of total base salaries, i.e.,</u> <u>of \$386,382 above)</u>	<u>69,549</u>	--	--

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c. UAB: 700 lbs/one way x 2 x 5 experts at \$1.10/lb (by air freight), <u>\$7,700</u> (for both teams)			
d. Shipment of Consumables: NTE 2,000 lbs/ expert x 2 at 1.10/lb (by air freight), <u>\$4,400</u> (for U.S. team only)			
6. <u>Per Diem</u>	<u>96</u>	--	--
a. International (F/X) 4 days (avg)/expert x 4 at \$6/day, <u>\$96</u>			
b. In-Country (I/C)	--	<u>16,656</u>	--
- For US Team, various cities, 3 days/RT x 66, at <u>\$46/day, \$9,108</u>			
- For TCN Team, various cities, 3 days/RT x 54 at <u>\$46/day, \$7,452</u>			
7. <u>Other Direct Costs</u>	<u>4,584</u>	--	--
(e.g., medical \$150/expert x 5 <u>\$750</u> ; visa and passport \$100/expert x 5, <u>\$500</u> communications with home office \$50/mo x 33, <u>\$2,100</u> (for Chief of Party only), miscellaneous <u>\$1,234</u> )			
8. <u>Logistic Support</u>	--	<u>158,716</u>	--
a. Office space rent: \$600/mo x 42, <u>\$25,200</u>			
b. Office furniture and equipment: \$2,000/expert x 5, <u>\$10,000</u>			
c. Household furniture and equipment: \$18,000/expert x 5, <u>\$90,000</u>			
d. Secretarial support \$600/mo x 42, <u>\$25,200</u> benefits (33% of \$25,200), <u>\$8,316</u>			
TOTAL DIRECT COSTS FOR LT INTERNATIONAL EXPERTS:	806,700	184,972	--
(Does not include HO backstopping costs)	=====	=====	

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B. Local Technicians<sup>5/</sup>  
(168 person months of technical staff  
consisting of 4 long-term positions)

1. <u>Total Salaries</u>	<u>152,328</u>	--	--
First year: \$850 (avg)/mo x 12 x 4 LT positions, <u>\$40,800</u>			
Second year: \$893 (avg)/mo x 12 x 4 LT positions, <u>\$42,864</u> (includes 5% salary inflator)			
Third year: \$938 (avg)/mo x 12 x 4 LT positions, (avg salary also includes 5% salary inflator), <u>\$45,024</u>			
Fourth year: \$985 (avg)/mo x 6 x 4 LT positions, (includes 5% salary inflator) <u>\$23,640</u>			
2. <u>Benefits, bonuses, insurance, family and local transportation allowances</u> (33% of total salary, i.e., of I.B.I. above)	<u>50,268</u>	--	--
3. <u>Travel</u>	--	<u>13,440</u>	--
- 1 RT/mo x 42 x 4 Local Technicians to various points in Bolivia at \$80 (avg)/ RT, <u>\$13,440</u>			
4. <u>Per Diem</u>	--	<u>15,456</u>	--
2 days (avg)/RT x 168 at \$46/day, <u>\$15,456</u>			
5. <u>Other Direct Costs</u>	<u>2,039</u>	--	--
(e.g., pre-employment physical examination <u>\$100</u> /local technician x 4, <u>\$400</u> , miscellaneous <u>\$1,639</u> )			
6. <u>Logistic Support</u>	--	<u>137,969</u>	--
a. Office space rent \$900/mo. x 42, <u>\$37,800</u>			
b. Office furniture and equipment \$2,000/ local technician x 4, <u>\$8,000</u>			

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<sup>5/</sup> Namely Deputy Resource Procurement Expert (42 pms), Training Coordinator (42 pms), Communications Expert (42 pms), and Project Accountant (42 pms).

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c. Support staff: 2 secretaries and  
1 office support person, \$550  
(avg)/mo x 42 x 3, \$69,300; benefits  
(33% of \$69,300), \$22,869

TOTAL DIRECT COSTS FOR LT LOCAL TECHNICIANS:	204,635	166,865	--
(Does not include HO backstopping costs)	=====	=====	

II. SHORT TERM TECHNICAL ASSISTANCE (ST TA)  
(300 person months which contain those  
required for ST TA per se (177 pms),  
Training (75 pms) and Operational Support  
(48 pms) components)

A. Short Term T.A. Per Se (177 pms)

1. ST TA from U.S.

(59 pms, up to 30 ST advisors)

a. <u>Salaries</u> , \$4,400/mo x 59	<u>259,600</u>	--	--
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b. <u>Benefits</u> , DBA insurance, etc. (12% of salaries above)	<u>31,152</u>	--	--
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c. Travel

- International: 30 RTs USA-LPB-USA at \$1,500 (avg)/RT, <u>\$45,000</u>	<u>45,000</u>	--	--
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- In-Country: 4 RTs/mo x 59 at \$80 (avg)/RT, <u>\$18,880</u>	--	<u>18,880</u>	--
--	----	---------------	----

d. Per Diem

- International: 60 days at \$6/day <u>\$360</u>	<u>360</u>	--	--
---	------------	----	----

- In-Country: La Paz, 30 calendar days/ ST advisor x 30 ST advisors at \$69/day, <u>\$62,100</u> ; various cities in Bolivia, 30 calendar days/ST advisors x 30 ST advisors at \$46/day, <u>\$41,400</u>	--	<u>103,500</u>	--
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e. Other Direct Costs

(e.g. visa/passport, \$100/ST advisor x 30, <u>\$3,000</u> ; medical \$150/ST advisor x 30, <u>\$4,500</u> , miscellaneous <u>\$5,000</u> )	<u>12,500</u>	--	--
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TOTAL DIRECT COSTS FOR ST TA FROM U.S.:	348,612	122,380	--
(Does not include HO backstopping costs)	=====	=====	

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<u>2. Short Term T.A. from Third Countries</u> (59 pms, up to 30 advisors)			
a. <u>Salaries</u> , \$2,600 (avg)/mo. x 59	<u>153,400</u>	--	--
b. <u>Travel</u>			
- International, 30 RTs LA-LPB-LA, at \$550 (avg)/RT, <u>\$16,500</u>	<u>16,500</u>	--	--
- In-Country, 4 RTs/mo x 39 at \$80 (avg)/RT, <u>\$18,880</u>	--	<u>18,880</u>	--
c. <u>Per Diem</u>			
- International, 60 days at \$6/day	<u>360</u>	--	--
- In-Country: La Paz, 30 calendar days/ ST TC advisor x 30 advisors at \$69/day, <u>\$62,100</u> ; 30 calendar days/ST TC advisor x 30 advisors at \$46/day, <u>\$41,400</u>	--	<u>103,500</u>	--
d. <u>Other Direct Costs</u> (e.g., visa/passport \$100/ST TC advisor x 30, <u>\$3,000</u> ; medical \$150/ST TC advisor x 30, <u>\$4,500</u> , miscellaneous <u>\$5,000</u> )	<u>12,500</u>	--	--
TOTAL DIRECT COSTS FOR ST TA FROM THIRD COUNTRIES: (Does not include HO backstopping costs)	<u>182,760</u> =====	<u>122,380</u> =====	--
<u>3. Local ST TA</u> (59 pms, up to 30 advisors)			
a. <u>Salaries</u> , \$1,500 (avg)/mo x 59,	<u>88,500</u>	--	--
b. <u>Benefits</u> , bonuses, insurance (33% of salaries, i.e., of II.A.3.a above)	<u>29,205</u>	--	--
c. <u>Travel</u>			
In-Country, 4 RTs/mo x 59 at \$60 (avg)/RT	--	<u>18,880</u>	--
d. <u>Per Diem</u> In-Country, various cities of Bolivia 30 calendar days/local ST advisor x 30 at \$46/day, <u>\$41,400</u>	--	--	<u>41,400</u>

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e. <u>Other Direct Costs</u>	<u>5,500</u>	--	--
(e.g., pre-employment physical examination \$100/ST advisor x 30, \$3000, miscellaneous \$2,500)			
TOTAL DIRECT COSTS FOR LOCAL ST TA: (Does not include HO Backstopping)	123,205 =====	18,880 =====	41,400 =====
B. <u>ST TA for Training (75 pms)</u>			
1. <u>ST TA for Training from U.S.</u> (25 pms, up to 13 advisors)			
a. <u>Salaries</u> , \$4,400/mo x 25	<u>110,000</u>	--	--
b. <u>Benefits</u> , DEA, insurance (12% of salaries above)	<u>13,200</u>	--	--
c. <u>Travel</u>			
- International: 13 RTs USA-LPB-USA at \$1,500 (avg)/RT	<u>19,500</u>	--	--
- In-Country: 4 RTs/mo x 25 at \$80 (avg)/RT	--	<u>8,000</u>	--
d. <u>Per Diem</u>			
- International, 26 days at \$6/day	<u>156</u>	--	--
- In-Country: La Paz, 29 calendar days/ST US advisor x 13 at \$69/day, <u>\$26,013</u> ; other cities in Bolivia, 29 calendar days/ST US advisor x 13 at \$46/day, <u>\$17,342</u>	--	<u>43,355</u>	--
e. <u>Other Direct Costs</u>	<u>5,750</u>	--	--
(e.g. visa/passport \$100/ST US advisor, x 13, <u>\$1,300</u> ; medical \$150/ST US advisor x 13, <u>\$1,950</u> ; miscellaneous \$2,500)			
TOTAL DIRECT COSTS FOR ST TA FOR TRAINING FROM U.S.:	148,606 =====	51,355 =====	--
(Does not include HO backstopping costs)			

<b>2. <u>ST TA for Training from Third Countries</u></b>			
<b>(25 pms, up to 13 advisors)</b>			
a. <u>Salaries</u> , \$2,600/mo x 25	<u>9,000</u>	<u>56,000</u>	--
b. <u>Travel</u>			
- International, 13 RTs LA-IPB-IA, at \$550 (avg)/RT, <u>\$7,150</u>	<u>7,150</u>	--	--
- In-Country, 4 RTs/mo x 25 at \$80 (avg)/RT, <u>\$8,000</u>	--	<u>8,000</u>	--
c. <u>Per Diem</u>			
- International, 26 days at \$6/day	<u>156</u>	--	--
- In-Country, La Paz 29 calendar days/ST TC advisor x 13 at \$69/day, <u>\$26,013</u> , other cities in Bolivia, 29 calendar days/ST TC advisor x 13 at \$46/day, <u>\$17,342</u>	--	<u>43,355</u>	--
d. <u>Other Direct Costs</u>	<u>5,750</u>	--	--
(e.g., visa/passport \$100/ST TC advisor x 13, <u>\$1,300</u> ; medical \$150/ST TC advisor x 13, <u>\$1,950</u> ; miscellaneous <u>\$2,500</u> )			
<b>TOTAL DIRECT COSTS FOR ST TA FOR TRAINING FROM THIRD COUNTRIES (Does not include HO backstopping costs):</b>	<b>22,056</b>	<b>107,355</b>	<b>--</b>
	=====	=====	
<b>3. <u>Local Short Term TA for Training</u></b>			
<b>(25 pms, up to 13 advisors)</b>			
a. <u>Salaries</u> , \$1,500 (avg)/mo x 25	--	<u>37,500</u>	--
b. <u>Benefits</u> , bonuses, insurance (33% of salaries, i.e. of II.B.3.a.above)	--	<u>12,375</u>	--
c. <u>Travel</u>	--	<u>8,000</u>	--
In-country to various cities of Bolivia 4 RTs/mo x 25 at \$80 (avg)/RT			

d. <u>Per Diem</u>	--	--	<u>18,400</u>
In-country, various cities of Bolivia 4 days/Rt, x 100 at \$46/day			
e. <u>Other Direct Costs</u>	--	<u>3,800</u>	--
(e.g., pre-employment physical examination \$100/ST local advisor x 13, \$1,300; miscellaneous \$2,500)			
OTAL DIRECT COSTS FOR LOCAL ST TA FOR TRAINING:	--	61,675	18,400
Does not include HO Backstopping Costs)	--	=====	=====
. <u>Short Term TA for Operational Support</u> (48 pms, up to 10 advisors)			
1. <u>Short Term TA for Operational Support from US</u> (24 pms, up to 5 advisors)			
a. <u>Salaries</u> , \$4,400/mo x 24	105,600	--	--
b. <u>Benefits</u> , DBA, insurance (12% of salaries above)	<u>12,672</u>	--	--
c. <u>Travel</u>			
- International, 5 RTs USA-I.PB-USA at \$1,500 (avg)/RT,	<u>7,500</u>	--	--
- In-Country, 4 RTs/mo x 25 at \$80(avg)/RT	--	<u>8,000</u>	--
d. <u>Per Diem</u>			
- International, 10 days at \$6/day	<u>60</u>	--	--
- In-Country: La Paz, 72 calendar days/ ST US advisor. as follows: first 30 days at \$69/day x 5 advisors, <u>\$10,350</u> ; next 42 days at \$52/day x 5 advisors, <u>\$10,920</u> ; various cities in Bolivia, 72 calendar days/ ST US advisor x 5 at \$46/day, <u>\$16,560</u>	--	<u>37,830</u>	--
e. <u>Other Direct Costs</u>	<u>2,250</u>	--	--
(e.g., visa/passport \$100/ST US advisor x 5, <u>\$500</u> ; medical \$150/ST US advisor x 5, <u>\$750</u> ; miscellaneous <u>\$1,000</u> )			

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TOTAL DIRECT COSTS FOR ST TA FOR OPERATIONAL SUPPORT FROM U.S. (Does not include HO Backstopping Costs):	128,082 =====	45,830 =====	--
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2. Local Short Term TA For Operational Support  
(24 pms, up to 5 advisors)

a. <u>Salaries</u> , \$1,500 (avg)/mo x 24	--	<u>36,000</u>	--
b. <u>Benefits</u> , bonuses, insurance (33% of salaries above)	--	<u>11,880</u>	--
c. <u>Travel</u> In-country, to various cities of Bolivia, 4 RTs/mo x 24 at \$80 (avg)/RT	--	<u>7,680</u>	--
d. <u>Per Diem</u> Various cities in Bolivia, 4 days/RT x 96 at \$46/day	--	<u>17,664</u>	--
e. <u>Other Direct Costs</u> (e.g., pre-employment physical examination \$362)	--	<u>362</u>	--

TOTAL DIRECT COSTS FOR LOCAL ST TA FOR OPERATIONAL SUPPORT (Does not include HO backstopping costs):	--	73,586 =====	--
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III. PARTICIPANT SHORT TERM TRAINING

A. In Neighboring Countries  
(60 participants, 2 participants/PAPO x 30)

1. <u>Course Fee</u> \$300 (avg)/participant x 60	<u>18,000</u>	--	--
2. <u>Travel</u>			
a. International, 60 RTs LPB-LZ-LPB at \$550 (avg)/RT,	<u>33,000</u>	--	--
b. In-country, 60 RTs from interior to La Paz at \$80 (avg)/RT,	--	<u>4,800</u>	--

3. Per Diem

a. International, various cities  
in LA 15 days x 60 participants  
at \$75(avg)/day 67,500 -- --

b. La Paz, enroute to training LA site,  
2.5 days/participant x 60 at \$46/day -- 6,900 --

4. Other Direct Costs 8,000 -- --  
(e.g., visa/passport \$100/participant  
x 60, \$6,000, miscellaneous \$2,000)

TOTAL DIRECT COSTS FOR PARTICIPANT SHORT TERM  
TRAINING IN NEIGHBORING COUNTRIES: 126,500 11,700 --  
(Does not include HO backstopping costs) ===== =====

B. In-Country

(5 one-week workshops, 30 participants each)  
(Note participant travel and per-diem provided  
in-kind by PAPO's)

1. Course Instructor's Salary -- 2,500 --  
\$500 (avg)/week x 5

2. Travel -- -- 8,080  
101 RTs from various points in Bolivia  
to course site at \$80 (avg)/Rt, \$8,080  
(assuming 1/3 of participants live in course  
site, covers RT for course instructor)

3. Per Diem -- 29,522 3,000  
Various course site, 7 days/participant  
x 101 at \$46/day, \$32,522  
(same assumption as III.B.2. above)

2. Other Direct Costs -- 1,000 --  
(e.g., miscellaneous \$1,000)

TOTAL DIRECT COSTS FOR IN-COUNTRY SHORT  
TERM TRAINING: -- 33,022 11,080  
(Does not include HO backstopping costs) ===== =====

IV. HOME OFFICE BACKSTOPPING

(For ST/IT Technical Assistance  
and Participant Short Term Training)

1. Salary 30,800 -- --  
2 mos/yr x 4,400 x 3.5 yrs

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2. <u>Travel</u>	<u>5,810</u>	--	--
a. International: 1RT/yr x 3.5 at \$1,500 (avg)/RT, <u>\$5,250</u>			
b. In-Country: 2 RTs/yr x 3.5 to various points in Bolivia at \$80 (avg)/RT, <u>\$560</u>			
3. <u>Per Diem</u>	<u>1,089</u>	--	--
a. International: 2 days/yr x 3.5 at \$6/day, <u>\$42</u>			
b. In-Country: La Paz, 3 days/yr x 3.5 at \$69/day, <u>\$725</u> - Other cities in Bolivia, 2 days/yr x 3.5 at \$46/day, <u>\$322</u>			
4. <u>Other Direct Costs</u>	<u>1,301</u>	--	--
(e.g., visa/passport \$100/RT x 3.5, <u>\$350</u> ; medical \$150/RT x 3.5, <u>\$525</u> ; miscellaneous <u>\$426</u> )			
Total Direct Costs for HO Project Manager	39,000	--	--
	=====		
V. <u>TOTAL DIRECT COSTS FOR ST/I.T TECHNICAL ASSISTANCE AND PARTICIPANT SHORT TERM TRAINING</u> (Including HO Backstopping Costs, Summation of items I-IV above)	2,130,156	1,000,000	70,880
	=====	=====	=====
VI. <u>TOTAL BASE SALARIES</u>			
A. <u>LT/ST TA and Participant ST Training</u>			
1. LT TA (US Experts):	386,382		
2. LT TA (Local Technicians):	152,328		
3. ST TA (from U.S.):	259,600		
4. ST TA (from third countries):	153,400		
5. ST TA (Local):	88,500		
6. ST TA for Training (from U.S.):	110,000		
7. ST TA for Training (from third countries):	65,000		
8. ST TA for Training (Local):	37,500		
9. ST TA for Operational Support (from U.S.)	105,600		
10. ST TA for Operational Support (Local)	36,000		
11. Participant ST Training (from Neighboring countries, course fees)	18,000		
12. Participant ST Training (In-Country)	2,500		
TOTAL BASE SALARIES FOR ST/LT TECHNICAL ASSISTANCE AND FOR PARTICIPANT ST TRAINING:	1,414,810		
	=====		

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B. Home Office Project Manager

1. Home Office Project Manager Salary	30,800	--	--
	=====		

VII. OVERHEAD

(70% of total base salaries for ST/LT TA plus 35% of Home Office Project Manager's salary, i.e., 70% of VI.A. plus 35% of VI.B. above)

	<u>1,001,147</u>	--	--
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VIII. FIXED FEE OR PROFIT

(6% of total costs, i.e., summation of items V from three sources and VII above)

	<u>247,878</u>	--	--
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TOTAL U.S. CONTRACT ESTIMATED COST <sup>6/</sup>  
(Summation of Items V, VII and VIII by funding source)

	3,379,181	1,000,000	70,880
	=====	=====	=====

ROUNDED (to the nearest \$100)

	3,379,200	1,000,000	70,900
	=====	=====	=====

PROJECT COORDINATOR<sup>7/</sup>  
(TCN PSC for 42 pms)

1. <u>Salary</u>	<u>116,424</u>	--
- First year: 2,600/mo x 12, <u>\$31,200</u>		
- Second year: 2,730/mo x 12, <u>\$32,760</u> (includes 5% salary inflator)		
- Third year: 2,867/mo x 12, <u>\$34,404</u> (includes 5% salary inflator)		
- Fourth year: 3,010/mo x 6, <u>\$18,060</u> (includes 5% salary inflator)		
2. <u>Insurance, \$175/yr x 3.5</u>	<u>613</u>	--

-----/  
6/ PAPO contributions not included in total contract cost calculation. These local travel and per diem contributions will be contributed in-kind or deposited directly to PL-480.

7/ This person can be U.S., TCN or Local, however, he/she has been costed as a TCN. If this position is U.S. hired, the cost will increase. Consequently, this can be covered by the contingency line item and the decrease in the TA Team Cost as a result of the Resource procurement Expert being a TCN (both this position and the latter one can not be U.S. hires). Please refer to Third Part I.A.I.a.

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3.	<u>Allowances</u>	<u>65,780</u>	--	--
	a. Housing: \$10,800/yr x 3.5, <u>\$37,800</u>			
	b. Education: \$3,800 child/yr x 2 children x 3.5 yrs, <u>\$26,600</u>			
	c. Temporary LQA: \$46/day x 30 x 1 person, <u>\$1,380</u>			
4.	<u>Travel</u>	<u>12,720</u>	--	--
	a. International: 4 RTs USA-LPB-USA at \$1,500 (avg)/RT, <u>\$6,000</u>			
	b. In-Country: 2 RTs/mo x 42 to various points of Bolivia at \$80 (avg)/RT, <u>\$6,720</u>			
5.	<u>Transportation</u>	<u>7,040</u>	--	--
	a. Shipment of HHE: NWA of 7,500 lbs at \$0.40(avg)/lb, <u>\$3,000</u> (by surface)			
	b. Shipment of POV: <u>\$2,500</u> (by surface)			
	c. UAB: \$700 lbs/one way x 2 at \$1.10/lb, <u>\$1,540</u> (by air freight)			
6.	<u>Per Diem</u>	<u>11,604</u>	--	--
	a. International, 2 days at \$6/day, <u>\$12</u>			
	b. In-Country, various cities in Bolivia, 3 days/RT x 84 at \$46/day, <u>\$11,592</u>			
7.	<u>Logistic Support</u>	<u>20,000</u>	--	--
	a. Office furniture and equipment \$2,000/contractor x 1, <u>\$2,000</u>			
	b. Household furniture and equipment: \$18,000/contractor x 1, <u>\$18,000</u>			

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8. <u>Other Direct Costs</u>	<u>1,519</u>	--	--
(e.g., visa/passport for international trip, \$100; medical \$150; miscellaneous \$1,269)			
TOTAL PROJECT COORDINATOR ESTIMATED COST:	235,700	--	--
	=====		

EVALUATIONS AND LOCAL AUDIT

A. <u>Evaluations (TSM IQC)</u>			
(4 mid course, 1 final totalling 5.5 person months up to 9 advisors)			
1. <u>Salaries</u>	<u>23,837</u>	--	--
\$200/working day x 21.67 (average working day/month) x 5.5			
2. <u>Benefits, insurance, etc.</u>			
(18% of salaries)			
	<u>4,291</u>	--	--
3. <u>Travel</u>	<u>1,868</u>	--	--
a. International: 18 days at \$6/day, \$108			
b. In-Country: 4 RTs/mo x 5.5 to various PAPO locations in Bolivia at \$80 (avg)/RT, \$1,760			
4. <u>Per Diem</u>	<u>8,694</u>	--	--
In-country: La Paz, 6 days/ST advisor x 9 at \$69/day, \$3,726			
- various cities in Bolivia, 12 days/ST advisor x 9 at \$46/day, \$4,968			
5. <u>Other Direct Costs</u>	<u>3,139</u>	--	--
(e.g., visa/passport \$100/advisor x 9, \$900; medical \$150 x 9, \$1,350; miscellaneous, \$889)			
6. <u>Overhead (40% of total salaries)</u>	<u>9,535</u>	--	--
7. <u>Fixed Fee or Profit</u>	<u>5,136</u>	--	--
(10% of total costs, i.e., of summation of items 1-6 above, \$51,364)			
TOTAL EVALUATIONS ESTIMATED COST:	56,500	--	--
	=====		

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B. Local Audit

1. <u>Salaries</u>	<u>8,200</u>	--	--
a. 1 audit supervisor at \$1,500/mo x 2, <u>\$3,000</u>			
b. 1 senior auditor at \$1,000/mo x 2, <u>\$2,000</u>			
c. 2 junior auditors at \$800/mo x 2, <u>\$3,200</u>			
2. <u>Benefits, insurance bonuses</u> (21% of salaries)	<u>1,722</u>	--	--
3. <u>Travel</u>	<u>960</u>	--	--
4 RTs/contractor (for senior auditor/2 junior auditors) x 3 to various cities in Bolivia at \$80 (avg)/RT, <u>\$960</u>			
4. <u>Per Diem</u>	<u>2,208</u>	--	--
Various cities, 4 days 1 RT x 12 x \$46/day, <u>\$2,208</u>			
5. <u>Other Direct Costs</u>	<u>1,268</u>	--	--
(e.g., materials, typing and reproduction \$800, miscellaneous \$468)			
6. <u>Overhead (30% of salaries)</u>	<u>2,460</u>	--	--
7. <u>Fixed Fee (10% of total costs, i.e.,     summation of items 1-6, <u>\$16,818</u>)</u>	<u>1,682</u>	--	--
TOTAL LOCAL AUDIT ESTIMATED COST:	<u>18,500</u> =====	--	--

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Private Agricultural Producer Organizations Project

SCOPE OF WORK

I. PROGRAM DESCRIPTION

A. Country Setting

The agricultural sector of Bolivia can be characterized by three markedly distinct ecological divisions: the Altiplano, the Intermountain Valleys, and the Tropical Plains. The principal crops of the Altiplano include traditionally cultivated foodstuffs such as potatoes, barley, quinoa, broad beans and some wheat. Sheep, goats and cameloids are kept as livestock. For the most part the land is farmed by individual 'campesinos' on small-scale plots (mini-fundio), although some communal farming is still practiced. The Altiplano includes large portion of the departments of La Paz, Oruro, and Potosí.

The intermountain valleys are at a lower elevation where crops such as corn, wheat, potatoes and vegetables predominate. Here the land tenure patterns include mini fundio to medium size farms. Significant intermountain valleys can be found in the departments of Cochabamba, Chuquisaca, Tarija and Santa Cruz. The tropical plains, for the most part located in the departments of Santa Cruz, Beni and Pando, represent Bolivia's agricultural frontier. The latter two departments are still relatively uninhabited and isolated, and cattle ranching predominates. The agricultural land of Santa Cruz and Tarija is generally flat with soils of varying fertility. This has resulted in the cultivation of crops such as cotton, sugar cane, soybeans, corn, rice, fruits and vegetables, as well as poultry and dairy production. Farm size ranges from extensive large-scale farms to small-scale plots normally stemming from colonization efforts, either spontaneous or organized.

Agriculture is the most important sector in the economy supplying 20 percent of the gross national product, and providing 47 percent of the nation's working force with employment. Nevertheless, this potentially important sector has suffered from abject neglect over the years due to the dominance of the mining sector and the relative ease with which agricultural foodstuffs and raw materials were able to be imported. These factors, combined with the frequent occurrence of climatic disasters (droughts and floods), has meant that agriculture has traditionally been viewed as being non-economic by most observers from government planners to private sector investors. This, in turn, has meant that the infrastructure necessary for the sustained growth of the sector is almost totally lacking.

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Bolivia's legitimate agricultural export sector includes only two crops of any significance: sugar and coffee. Both of these exports, however, are regulated by strict international commodity agreements which determine both quantity marketed and price. Little growth, if any, in these markets is expected in the near and medium terms.

## B. Project Setting

### 1. Agricultural Production and Its Potential

Due to an almost total lack of investment in agriculture on the part of both the public and private sectors the actual production of agricultural commodities is nowhere near its potential. This results in unit costs for most commodities being far higher than would normally be the case. In the past this has resulted in governmental price controls on many agricultural commodities and/or the promotion of imports which has been a further disincentive to farmers to invest in agriculture. Essentially, Bolivia is faced with a downward spiral in its production capabilities, low levels of production and high unit costs, leading to disinvestment and even lower yields.

Nevertheless, as explained above, the agricultural sector of the country is not homogeneous with each region demonstrating different problems and potentials. For example, the altiplano, after countless generations of intensive cultivation and population pressure suffers from a general lack of soil fertility, although this can vary greatly from one ecosystem to another. Severe erosion in some areas and natural disasters (drought, floods and frost) are additional factors which limit the agricultural potential. Likewise, the tropical plains which are relatively flat, are not universally suitable for agriculture and are often susceptible to flooding and high concentrations of destructive disease and insect vectors. Indeed, while it is thought by many that the future of Bolivia's agriculture lies in its tropical plains, careful planning and vast amounts of infrastructure will be required if they are to develop to their full potential.

### 2. Agricultural Marketing and Its Potential

The marketing of most agricultural commodities in Bolivia is chaotic and disorganized. An established system of prices, delivery dates and quality standards is non-existent. This results in frequent market gluts and shortages, as well as high post-harvest losses. Likewise, market information is unavailable forcing farmers to make planting decisions based only on the experience of past year's.

Further frustrating farmers is the fact that many commodities are sold through monopsonistic markets (one, or few buyers). Barley, for conversion into beer, can often only be sold to the local brewery. Rice is primarily sold to the National Rice Company (ENA) at predetermined prices due to a scarcity of storage facilities in the private sector. Liquid milk can generally only be sold through public sector owned processing facilities (PIL)

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at prices determined by the costs of reconstituting powdered milk donated by European countries. Wheat and grapes are likewise sold to a reduced number of mills and wineries which are thought to act in concert when establishing prices. Sugar cane producers also face a consolidated front in terms of their market. In this case the National Sugar Board sets the price its mills will pay for cane as well as the quantities it will receive. These prices are then followed by the few remaining private sugar mills.

Tantamount to the problem of controlled markets and prices is the generalized lack of marketing infrastructure in the country. A lack of proper storage capacity for most crops further exacerbates market gluts and shortages. The absence of adequate farm-to-market roads precludes the production of many perishable crops in most regions. Additionally, a lack of wholesale, or central markets, further complicates the problems.

Lastly, the most insidious problem facing farmers in the marketing of their products is related to the relatively high unit production costs making competition with imported commodities often impossible without price supports or other concessions. Given recent government policy changes, these practices appear unlikely for the future.

### 3. Agro-industry and Its Potential

At present the agro-industrial sector is small and generally limited to primary commodity processing in selected crops (i.e., cane into sugar, wheat into flour, and soybeans into oil). Little further processing is performed apparently due to the availability of cheap imports, a limited domestic market, and consumer tastes and preferences.

### 4. Agricultural Exports and Their Potential

Currently, Bolivia's only legitimate agricultural exports of significance are sugar and coffee. Both face a controlled international market which is subject to frequent gluts and eroding prices. The stimulation of other export crops will depend on lowered unit production costs through economies of scale, and being able to produce to the health and quality standards of the international market. This project has as a long term goal the expansion of exportable agricultural surpluses. Nevertheless, in the short run, and over the life of this project, production for the domestic market will be the primary goal. Only once the domestic market is supplied with commodities of a quality and price commensurate with world market conditions can Bolivia hope to become a net agricultural exporter.

### C. Problem Statement - The Constraints and Opportunities in the Agricultural Sector.

The process of modernizing agricultural production and marketing requires an increasingly broader and more sophisticated set of support services. A partial list of these services includes credit, proper and timely input supply, mechanization services market information, agricultural research and extension, environmental protection advice and political representation on policy issues affecting agriculture.

For the average Bolivian farmer, in most regions of the country, these services are not available. The institutions financed and operated by the public sector are chronically underfinanced and extend into areas, in many cases, better left to the private sector. In instances where farmers have depended upon public sector services and/or marketing channels, such arrangements have tended to be inefficient, bureaucratically cumbersome, and often politically manipulated.

The number of private firms providing agricultural inputs and services is presently quite limited in most regions of the country. While some private sector channels are being created through the growth and development of agro-industries, such entities are presently insufficient--and are likely to remain so for, at least, the medium term--to provide adequate services or market outlets to farmers.

On the organizational side there are three types of agricultural organizations existing in Bolivia: 'campesino' unions, service cooperatives, and producer associations. In general terms, the unions and the cooperatives date from the 1952 agrarian revolution, are geographically organized, and include primarily 'campesino' farmers. The associations are, for the most part, commodity based and include mainly urban-based, farmer members. Of these three organizational types the unions have proven to be only marginally successful in providing services, with lobbying for price and other concessions having been their principal activity in the past. With few exceptions agricultural cooperatives have generally not been able to provide services on a sustained basis once outside assistance has been withdrawn. Additionally, until recently a majority of the associations were not actively involved in providing services other than lobbying and group representation. Many are just beginning to see the merit of increased agricultural production through the provision of specific services.

This project will seek to promote and strengthen 'private agricultural production organizations' (PAPOs), throughout the country. For project purposes this term is used to define an organization established by farmers to provide services to members in support of the production and marketing of various agricultural commodities. It is also a normal part of this definition to include that the services are provided on a fee basis sufficient to assure the long-term sustainability of the organization.

At present, the most effective producer associations are in the Department of Santa Cruz, the department which is characterized by a land base favorable to larger and more homogeneous farms, and which are somewhat more capital intensive relative to other parts of the country. These organizations benefit from the leadership of a cadre of experienced agriculturists, but presently offer only a limited number of services due to a scarcity of working capital and a lack of technical and administrative expertise. Outside of Santa Cruz, the producer associations are at an even more incipient stage of development.

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An initial survey of private agricultural organizations was undertaken during the design phase of this project. Stemming from this survey, and upon receiving requests from the targeted organizations, further organizational analyses will be performed under this project to determine organizational weaknesses and the most appropriate interventions for their resolution. No entity presently exists in Bolivia with the resources and organizational capabilities to assist existing producer organizations to improve their structure and the delivery of services, yet the need exists, and the potential benefits of such assistance are substantial.

D. The Need for the Project (Project Rationale)

While agriculture is, and always has been, the backbone of the Bolivian economy in terms of GDP and employment generation, the mining sector has received the majority of public and private resources. This appears to have been due to its ability to produce relatively immediate results through income and foreign exchange generation. With the decline in the mining sector due to falling world prices for most of the country's mineral resources this situation is changing with more, and more, emphasis now being placed on agriculture.

Nevertheless, the capacity of either the public or private sectors to stimulate agricultural development is almost completely lacking. Agricultural support services and infrastructure are currently extremely weak and will require unique programs for their stimulation and development. USAID/Bolivia therefore proposes the establishment of an assistance mechanism which will provide training, technical assistance and access to financial resources for agricultural development. Due to the extremely weak, and often politicized public sector agencies working in agriculture this mechanism will necessarily work through the private agricultural production organizations for project implementation. This thrust in supporting private activities rather than public ones is completely consistent with the current GOB policies of decentralization and divestment away from government control and sponsorship.

E. Project Methodology

1. Goal

The goal of this project is to increase income on farms and ranches through increased yields, expanded production, and increased marketed surpluses, including exports.

2. Purpose

The purpose of this project is to strengthen and expand the capacity of private agricultural producer organizations to provide services to members. Sub-purposes designed to accomplish the main purpose include:

- Defining and encouraging public institutions, private firms and Private Agricultural Producers Organizations (PAPOs) to assume their most appropriate roles for the provision of agricultural development services,

- the stimulation of local technical assistance capabilities (consulting firms, etc.) which can be provided on a fee basis to individuals and organizations,
- improving the capacity of PAPOs to lobby in their own behalf, and to influence Bolivian Government policies,
- increasing communication and information exchange between and among the PAPOs and the rest of the agricultural sector,
- increasing the integration between 'campesino' and 'non-campesino' groups through association for their common good,
- the stimulation of private agricultural firms to improve and increase services to the PAPOs, and,
- increasing the awareness and use of sound environmental practices.

### 3. End of Project Status

The end of project status (EOPS) as a result of accomplishment of the above stated purpose and sub-purposes are as follows:

- the PAPOs will be efficiently providing a broader set of services to members,
- PAPOs' memberships will be fully supporting the provision of these services through fee payments or production discounts,
- PAPOs will be able to support the costs of delivering services,
- PAPOs will have increased influence over policy issues affecting them,
- Regular issuance of an agricultural organization newsletter perceived as useful by PAPOs leadership,
- increased cooperation and service delivery between private sector agricultural firms and the PAPOs,
- increased demand for, and use of, environmental information, and,
- increased production and income from PAPO members' farms and ranches.

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#### 4. Project Inputs

Project provides inputs will be in three general areas including training, technical assistance and access to financial support, either in the form of credit, or direct grants. The project will also support a technical assistance team over a three year period which will analyze PAPOs needs and coordinate the provision of Project assistance.

##### a. Training

Leaders, members and administrative and technical personnel from the PAPOs will be offered the opportunity to participate in short-term training programs organized by Project staff. It is envisioned that these training programs will be of several types and will deal with a wide variety of disciplines. The types will range from technical demonstrations on the farms of PAPO members, to classroom workshops and seminars, and to field visits to appropriate locations within Bolivia as well as to countries in the surrounding region.

During Project Paper design interviews with a large number of potentially appropriate PAPOs suggested the need for training in the following disciplines organizational structuring and administration, finance management, production technologies, marketing, post-harvest handling of commodities, and extension methodologies. It is envisioned that the major portion of training expenses will be grant funded, although the possibility of cost-sharing by the PAPOs will be explored (ie., the PAPOs paying per diem and travel expenses for members sent to resident courses, etc.).

Project staff will review the Organization Development Strategies (ODS), for training requests from the various PAPOs. Quarterly training schedules will then be drawn up in an attempt to coordinate the needs of several PAPOs at the same time. Where possible, the training needs of several PAPOs will be responded to in joint seminars and workshops. The Training Coordinator on the Project staff will be responsible for determining the schedule of training activities and for the selection and hiring "short lists" prepared by Project staff from the pool available in Bolivia, the Region, and from the U.S.

##### b. Technical Assistance

The Technical Assistance Component of the Project will function as a clearing house for technical assistance requests from the various participating PAPOs. A directory of suppliers of technical assistance, in Bolivia, in the regional, and in the U.S., will be prepared by Project staff as one of their first activities. This directory will continuously be updated over the life of the Project as new needs are requested and sources identified.

Specific disciplines contained in the directory will be based on those needs identified during Project Paper preparation, as well as others requested by the PAPOs over the life of the Project. A representative list of these technical assistance needs collected to date includes:

- Organizational structuring,
- Administration, including, accounting, record keeping, financial management, inventory control and computerization,
- Commodity specific production technologies and farm management,
- Marketing systems, including post-harvest technologies, storage, transportation, quality control and standards, and pricing policy, and,
- Credit management, disbursement, recovery and the management of guarantees.

To be eligible for technical assistance under the Project a PAPO will first have to have submitted a formal request detailing its needs and its Organizational development plan. Based on initial selection criteria, these requests will then trigger a visit by Project staff members who will perform an organizational assessment, and with the PAPO personnel, design an Organizational Development Strategy (ODS). If an organization does not fulfill the initial selection criteria, they will be informed of this along with possible suggestions of where to go for assistance, other than through the Project.

These ODSs will then be evaluated by Project staff according to a second set of selection criteria. At this point Project staff will place the PAPOs requesting assistance into one of two categories, those which are organizationally/technically sound and needing only specific well-defined assistance (primary organizations), and, those which are less organizationally or technically sound (secondary organizations).

Based on the ODSs the Project staff will then prepare specific Organizational Development Action Plans (ODAPs) for each PAPO which will define the Project assistance to be given. The Project staff will next establish technical assistance schedules for the various organizations (10 Primary and 20 secondary organizations have been specified for budgetary purposes in the Project). Based on these schedules the Project staff will then contact the appropriate source of technical assistance, and make arrangements for it to be supplied to the organization.

Part of the design of the ODS will include an assessment of the organization's ability to pay for the requested technical assistance. In some cases the assistance will have to be provided by the project as a grant, while in other cases the organizations will be totally capable of reimbursing the Project for the service. In still other cases it is envisaged that some organizations begin by sharing part of the costs and will then, over time, gradually become responsible for its full value.

Of critical importance to the success of this component will be an attempt on the part of Project staff to make the technical assistance as relevant and cost effective as possible. This will necessarily mean that much of the technical assistance will come from local and regional sources familiar with the same types of problems and the scale of operations.

One type of technical assistance envisioned under the Project, which will not necessarily be PAPO-specific, concerns the need for specific commodity and policy studies. One of the primary problems facing a majority of the PAPOs interviewed during Project paper preparation was a complete lack of information concerning the various systems (production, marketing, procession) which confront PAPO members. Likewise, in other cases PAPO members often find themselves frustrated by a lack of information concerning governmental policies which affect them significantly (i.e., import policies, price control policies, etc.). The Project therefore proposes to commission approximately six Commodity Studies and four Policy Studies to be completed over the life of the Project. Again, local and regional experts will be sought for the execution of these studies.

Additionally, through an arrangement with the Bolivian environmental League (LIDEMA), which is currently being assisted by USAID/Bolivia under another activity, or another qualified organization or individual, environmental training and technical assistance will be offered to all targeted organizations. Since it is not normally an immediate priority item for most of the PAPOs, funding for these environmental programs will be covered out of the grant funds provided by the Project.

Lastly, as an additional form of technical assistance the Project will arrange for the publication of a regular newsletter concerning PAPOs, their members and services offered. It is envisioned that the initial readers of this newsletter will be the leaders and managers of the PAPOs, although a wider readership might be expected once it achieves acceptance.

Although this is not a credit project per se, financial resources will be made available through two mechanisms: operational support grants, and, access to PL-480 refinancing credits through an appropriate Intermediate Credit Institution (ICI, or any financial institution such as a bank, credit union, or financiera).

In the first case, monies will be made available on a grant basis to PAPOs demonstrating potential viability but lacking initial start-up capital and/or administrative capabilities. The amount of these grants will be limited to US\$25,000 per organization and will go to pay for such items as administrative staff, offices, computerization services, vehicles and other non-productive investments. Care will be given during the design of the ODSs so that these grants are not perceived as operational subsidies, but are rather geared towards the stimulation and provision of productive services on the part of the organizations receiving them.

In the second case, Title III, PL-480 local currency funds will be set aside for loaning to PAPOs for productive, income-generating projects, normally related to service delivery to members. These loans will originate with the design of a project by the PAPO itself, or by a hired consulting service. (At the discretion of the Project staff, the costs of these project designs may be grant funded.) The PAPO will then present the project to any of several Intermediate Credit Institutions (ICIs) for their consideration and possible financing.

#### 5. Implementation Mechanism

During Intensive review several alternative implementation mechanisms were considered. These included: a governmental agency such as the Ministries of Agriculture or Planning, the establishment of a national level Agricultural Chamber over the life of the project, the Agricultural Chamber of Santa Cruz, various non-governmental institutions, and a tie-in to the USAID Rural Development Planning, Departmental Development Corporations Project through the Unidades Crediticias Financieras (UCFs) and the Departmental Development Corporations.

A governmental ministry, or institution, was ruled out almost immediately due to their low levels of resources, ineffective service delivery, and politization. A national level chamber would have to be established from scratch, and almost imposed from above, since there does not appear to be much consensus among the departmental chambers as to how it would be formed, what services it would offer, and how it would be funded. Additionally, as is demonstrated in the Social Soundness Analysis, there exists a polarization in the Bolivian agricultural sector which distinguishes between 'campesino' and 'urban-based farmers' with the latter tending to belong to the chamber in far greater numbers than the former.

The Camara Agrícola del Oriente (CAO) in Santa Cruz is well established and is perceived as being valuable to its members. Nevertheless, if it were to be relied upon as the implementation mechanism for the entire project there is little likelihood that many resources would find their way outside of that department. No non-governmental organizations were found which have the national scope required, or the non-political, productive orientation necessary for a project of this type.

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\* The term 'financiera' is used here to denote the financial institutions created under the DDC project within the Departmental Development Corporations. As of this writing, one financiera has already been established and has been made independent of its corporation (Santa Cruz), and one more is soon to be established (Chuquisaca). The other Corporations all have 'Unidades Crediticias Financieras' (UCFs), which are newer, and less experienced than the 'financieras' and which are still under the control of the Corporations.

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The implementation mechanism of working with systems already established under the USAID Rural Development Planning/Departmental Development Corporations Project (RDP/DDC), however, represents an opportunity to avoid the drawbacks of the alternatives and capitalize on previous work and experience. The RDP/DDC Coordinator for the Government of Bolivia can also be made the authorized GOB representative for this project, thereby improving coordination of the activities of these two similar, but separate development efforts. The office established under the RDP/DDC project is nation-wide in scope, independent of GOB budgets and geared to work with both the private banking system and the UCFs/Financieras, attributes and capabilities which are desirable for the PAPO office and which may be more easily gained through close association. Also the credit evaluation and approval system already established under the RDP/DDC Project will be more easily accessed by the PAPO Project. Moreover, the two projects have the similar desire of the UCFs/Financieras becoming competent development agencies which will be able to take over various functions of each project. Therefore, the proposed implementation mechanism for the PAPO Project is to contract with a competitively selected consultant entity (a cooperative agreement if a PVO) which will work independently, but closely, with the Coordination Unit of the RDP/DDC Project.

The administration of the two projects would be kept separate, although the offices will be contiguous to improve communication between the two groups. Each project is expected to have its own coordinator and staff, but considerable informal trading of staff between the projects is anticipated. Indeed, many of the business and organizational management skills which the PAPOs will require are presently available through the DDC Project.

It is estimated that this implementation mechanism would require a total of fourteen permanent staff members (including support staff) the first year, diminishing in the second through fourth years. All would be Contract Firm employees, hired through the institutional contract with a U.S. development assistance firm or Cooperative agreement with a U.S. private/voluntary organization (PVO) or university. Additionally, 300 person/months of short-term consultancies have been budgeted for over the life of the project. These consultancies will be in the general areas of: organizational design, administration and management, marketing, extension methods, environmental issues, and other technical fields. Lastly, several Commodity Studies and Agricultural Policy Papers will be commissioned by the Project.

II. OBJECTIVES OF THE CONTRACT

The objectives of this contract are:

- To provide technical assistance to selected Private Agricultural Producers' Organizations (PAPOs) to aid them in their ability to deliver productive, income-generating services to their members, and,
- To encourage and support mechanisms within the "Financieras" and UCFs of the Development Corporations to promote PAPO's.

III. SCOPE OF SERVICES

A. General

For a period of three and one-half years, beginning six months after the signing of the Project Agreement, the Contractor will provide services to Private Agricultural Producers Organizations. These services include the provision of five long-term experts (2 for approximately 12 months each, 1 for 24 months' for 30 months and 1 for 42 months) and up to 300 person/months of short-term technical assistance from local, regional and U.S. sources. The areas of this short-term assistance, and the appropriate number of person/months each, are thought to be the following:

Specialty	Discipline	Person/Months
Commodity Studies (6)	Agriculture Economics	24
Policy Studies (4)	Agricultural Economics	24
Newsletter	Mass Communications	6
Organizational Redesign	Organizational Development	6
Administration/Management	Business Administration	60
Marketing	Agricultural Economics	60
Extension Methods	Agricultural Extension	60
Storage/Post-Harvest/Trans.	Specialists	20
Environmental Issues	Environmental Studies	20
Technical Fields	Agronomy, Horticulture, Soils, Appropriate Tech., Agro-Processing, etc.	60
		300

While these short-term technical assistance Consultants/trainers will be sought from the most appropriate and cost effective sources possible, it is estimated that the origin of this assistance will be approximately one-third from within Bolivia, one-third from the Region, and one-third from the U.S. It is also envisioned that some of the local expertise will come from the two Agricultural Chambers (Santa Cruz and Tarija) which already have substantial experience in their organization and operation, and whose services will be in demand in the other departments.

For the purposes of calculation, one person/month per consultant, per PAPO has been used, although it is conceivable that the consultancies will range from one week to three months. It is also most likely that some consultancies will cover several PAPOs, while in other cases one PAPO will require return consultancies for the same subject matter. It is further estimated that the Commodity Studies will require two people for three months.

This technical assistance will be provided on a basis to be determined by the contractor in consultation with USAID staff to the appropriate PAPO. Depending on the plan specified in the Organizational Development Assistance Plan (ODAP), the PAPO will then be responsible for repayment of its technical assistance costs to up to 100 percent of its value.

#### B. Specific

1. Following confirmation from USAID/Bolivia that the necessary conditions precedent have been met and thirty days after subsequent contract signing, the five long-term advisors will arrive in La Paz ready to begin work. One will have been named Chief-of-Party.
2. Following Project initiated advertising, staff will begin the pre-selection process for PAPO consideration.
3. For those PAPOs selected, Project staff will begin preparation of the Organizational Development Strategies (ODSs) to set forth the level of services which will be provided.
4. Concurrent with the preparation of initial ODSs, Project staff will begin the process of identifying sources of the technical assistance requested and preparing a quarterly training requirements plan.
5. Organizational Development Action Plans (ODAPs) will be prepared and signed with selected PAPOs.
6. If one, or more, of the ODAPs indicate the need for a specific training program, the Project staff will arrange for the provision of an appropriate trainer or a trip to a regional source of training or observation, plus other logistical considerations.
7. Technical assistance, non-training, needs will likewise be arranged by the Project staff in accordance with the ODAP agreement.
8. In cases where the ODS/ODAP has identified a definite need on the part of a PAPO for financial assistance, the staff will advise in the preparation of a proposal for presentation to an appropriate ICI, or small grant approval request to USAID/Bolivia.

9. The newsletter, environmental education and studies programs outlined above will be undertaken per guidelines stated above.

C. Job Descriptions

Possible job descriptions for the five Contract Firm employees are provided below:

- Organizational Analysis/Development Experts (4)

These four people will be the principal links between the Project and the producer organizations. In teams of two, they will perform the initial PAPO selection, prepare the Organizational Development Strategies for those organizations selected, and provide continuous follow-up in the implementation of the Organizational Development Actions Plans. One of these four staff members will be designated as Chief-of-Party by the contract firm. As such, he/she will be responsible for the day-to-day administrative liaison between the contractor and the Project's USAID/staff.

As there are going to be two teams of two staff members each, the areas of their specialization should be varied. All should have a minimum of five to eight years experience in organizational strengthening projects of this type, and all should have a Spanish competency of 3 plus on the FSI scale. Disciplines should range from economics and business administration to organizational development and agricultural extension.

- Resources Procurement Expert-

This person will play the central role in the identification of technical assistance personnel to assist producer organizations. He/she will be responsible for the development of the Technical Assistance Roster, as well as for matching the technical assistance requirements identified in the ODSs and ODAPs with the availability of experts within Bolivia, the region and in the U.S. He/she will be back-stopped by the Contract Firm's head office.

This person should have at least five to eight years experience providing technical assistance in developing Latin American countries. He/she should be knowledgeable in a wide variety of technical areas including agriculture, organizational development and business management. He/she should have attained a minimum of a 3 plus on the Spanish FSI rating.

IV. LOGISTICAL SUPPORT AND REPORTING

A. Logistical Support

The Contractor will be responsible for providing the following:

1. The hiring of nine professional and support staff including: a Deputy Resource Procurement Person, a Training Coordinator, a Deputy Training Coordinator, a Communications Expert, three (3) Secretaries, including one who is bilingual, a Project Accountant, and an office support person.
2. Office space, supplies and equipment (including computer) for the long and short-term staff in close proximity to the Office of the DDC Project.
3. All local transportation, by road or air,
4. All personnel support needs including housing and furnishings
5. All short term technical assistance, training needs, newsletter and studies needs, and all logistics requirements required therein.

B. Reporting Requirements

For each quarter of approximate two and a half years of the contract, the Contractor will present a detailed accounting of the past quarters activities. This will be followed by an operating plan indicating anticipated Project supported activities to be undertaken in the following year.

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AGENCY FOR INTERNATIONAL DEVELOPMENT  
WASHINGTON D C 20523

LAC/DR-IEE-86-7

ENVIRONMENTAL THRESHOLD DECISION

<u>Project Location</u>	:	Bolivia
<u>Project Title</u> <u>and Number</u>	:	Private Agricultural Producer Organization Project 511-0589
<u>Funding</u>	:	\$3,000,000
<u>Life of Project</u>	:	FY86-88
<u>IEE Prepared by</u>	:	M.P.Leifert Deputy Chief, PD&I
<u>Recommended Threshold Decision</u>	:	Categorical Exclusion
<u>Bureau Threshold Decision</u>	:	Concur with Recommendation
Comments	:	Technical assistance for the design and implementation of more effective systems to order, inventory, cost, and deliver agricultural inputs will be limited to fertilizer, seeds and feed. Services related to the procurement of pesticides will require an environmental examination, and are not covered under this categorical exclusion.
Copy to	:	David Cohen, Director USAID/Bolivia
Copy to	:	M.P.Leifert, USAID/Bolivia
Copy to	:	Howard Clark, USAID/Peru
Copy to	:	Robert Jordon, LAC/DR
Copy to	:	IEE File

Inara E. Hatgras Date 3/24/86

<sup>for</sup>  
James S. Hester  
Chief Environmental Officer  
Bureau for Latin America  
and the Caribbean

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ANNEX K

COMMODITY REVIEW

Commodities are analyzed below with particular reference to their actual and potential markets, both for domestic consumption and for export, particular technological problems, and their potential for agro-processing or industrialization.

- Potatoes. This crop is a staple of the Bolivian diet. As such, it is produced and consumed extensively throughout the country. Yearly supply and demand appear to be in balance with small amounts of the crop being exported to, and imported from, neighboring countries depending on seasonal and varietal shortages. Not much potential exists for expansion of the export market due to the high cost of transportation for potatoes, plus extensive production throughout the region.

- Barley. Barley has two active markets, a smaller one for human and animal consumption, and a larger one for the beer industry. The human and animal consumption market is in balance and is not thought to be capable of supporting increased supply. The brewery market is more structured and often involves futures contracts for farmers willing to produce certain varieties for specific harvest dates. Nevertheless, many producers for this market complain of price setting between the breweries resulting in low profits for producers. There is a possibility of increased demand through the establishment of an export market by Bolivian brewers.

- Quinoa. This is an indigenous crop which is little known outside of the region. Since it is high in nutritional value, its production is currently being stressed by governments of the region and international donors alike. At present, the limit of expanded production lies in its labor intensive nature which tends to make it expensive relative to competing commodities. Additionally, its processing for home consumption is somewhat difficult, making it less appealing for the urban consumer. Expanded production for additional exports to the health food market might be explored if the high relative production costs, and processing problems can be overcome.

- Broad Beans. Commonly called 'habas' (fava beans is a common translation), this leguminous crop is an important part of the diet of many Bolivians. It is primarily grown in the Altiplano where it is semi-resistant to frequent frosts. Its production and marketing potential is currently unassessed, although, given its low price in the marketplace, one might assume that its demand is currently being met.

- Wheat. This crop has been produced in Bolivia for several generations. Until recently, however, the GOB was heavily subsidizing the consumer price of imported wheat. Since this subsidy has now been removed, Bolivian farmers have a better chance of producing profitable wheat crops. Still, at present, the market for locally produced wheat is very limited

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because millers prefer the more uniform, quality consistent, imported wheat, and consumers prefer Argentine flour. While the short-term potential for increased demand and production is limited, the longer-term outlook, if a proper national wheat policy can be put in place, is more optimistic.

- Corn. This native South American crop is produced for 'on the cob' human consumption, but more importantly for livestock feed in the poultry and cattle industries. It is grown in the lower parts of the intermountain valleys, as well as on the tropical and sub-tropical plains. There is some indication that when grown under proper technical conditions this crop turns a profit. Potential exists for establishing an export market in neighboring countries if efficient production and marketing systems are used.

- Coffee. Coffee is a crop which is currently marketed internationally under an International Marketing Agreement. This essentially means that both price and quantity are limited by exogenous factors, although Bolivian exports are less than quota limitations. The domestic market for coffee is also limited, with a good deal of competition coming from Brazil. The international market is currently on the upswing, but variable from year to year.

- Fruits and Vegetables. Bolivia produces a great variety of fruits and vegetables based on its diversity of ecological zones. These crops tend to be of relatively higher unit values due to their perishable nature, and also appear to be an area for future expansion within the local market. Nevertheless, markets can easily become saturated, and large amounts of produce are lost due to relative price inelasticity. Consumer education in many of these crops will have to go hand in hand with production increases.

- Cotton. Cotton is a relatively new crop which was introduced after the opening of the lowland Santa Cruz area. There is a potential for export and for supplying local textile industries, although unmechanized harvesting and relatively high labor rates will have to be dealt with if Bolivia is to become competitive internationally. Market forces have caused major cotton production declines over the past decade.

- Sugar Cane. Sugar cane is another relatively new crop which was introduced after the opening of the Santa Cruz area.

Unfortunately, due to a lack of mechanization, the practice of not utilizing necessary levels of inputs, and inefficient, oversized processing facilities, Bolivia produces sugar far above the current world market price. Some of this expensive sugar has found a market under the U.S. Sugar Quota at preferential prices, but this market was recently cut in half due to worldwide quota reductions. There is presently a three to four year domestic supply of refined sugar in storage in the country. The future for increased production motivated by demand is, therefore, not good.

- Rice. Another lowland crop, rice is presently produced mainly by a large number of small farmers, many of whom are settlers from the Altiplano.

This crop suffers internally from inadequate storage and milling facilities, and externally from strong competition from Brazil and Argentina. The National Rice Company purchases a portion of the crop. The price paid to producers in 1985 was lower than the costs of production because of the present limited accessible market and high, small farmer production costs.

- Soybeans. The production of soybeans has formed part of the Santa Cruz 'boom' over the past two decades, and has been closely linked to the rise in the poultry and cattle feeding industries. The internal market is growing, but demand is currently controlled by one public and three private firms who reputedly work in concert in establishing price. Export potential does exist, although its realization will require further investment in storage capacity necessary to accumulate quantities needed to make shipments of export scale.

- Poultry. The poultry industry has vastly expanded over the past twenty years to the point where Bolivia is now self-sufficient in meat and eggs. Profitability over the past years has encouraged greatly expanded production to the point where market saturation is a possible issue, at least for certain local markets. As elsewhere in the world, poultry production lends itself to economies of scale. This has meant that the industry has become increasingly the domain of the larger producer.

- Beef Cattle. The cattle industry is centered around the relatively isolated lowland grass areas of Beni and Santa Cruz. The fact that these areas are often inaccessible to road transportation means that air transportation must frequently be used, which greatly raises costs. If this problem can be addressed, Bolivia could become an exporter of beef.

- Dairy Cattle. The dairy industry suffers from strong competition from reconstituted powdered milk which is donated by several Western Countries. Overall decapitalization of the industry has caused dairying to become a losing economic proposition. The government owned milk processing corporation (PIL) has recently been turned over to the Departmental Development Corporations which are attempting to sell them to the various milk producers' associations. The associations, on the other hand, are very reluctant to buy into the plants due to the outdated and poorly maintained equipment which they contain. A reduction in the imports of 'free' powdered milk is an additional concern of the dairy producers. However, since the price of milk is no longer controlled by the GOB/PIL, there is potential for the recuperation and growth of the dairy industry.

- Camelids and Sheep.- Llamas and alpacas have been tended by Altiplano families and communities for centuries. The wool, meat, and hides have contributed substantially to the substance and income of many of the more isolated parts of the Altiplano. Sheep have more recently been introduced. Compared to the poultry, cattle and dairy industries, the camelids and sheep constitute a cottage industry. Production and marketing technologies could stand considerable improvement. The demand for white alpaca wool considerably exceeds Bolivian supply and should grow if the export of quality sweaters continues to grow.

- Timber.- There are two major lumber markets which function almost independently of each other. Lumber for export is kiln dried and carefully graded. Most goes to Argentina and the United States. These exports contributed seven percent of total export earnings in 1985. Lumber for the domestic market is usually not kiln dried and is very roughly graded. Besides lumber, other wood products are veneers, plywood, particleboard, poles, ties, charcoal and firewood.

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