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QUARTERLY REPORT

JANUARY 1 - MARCH 31, 1992

USAID PROJECT: 519-0307
TECHNICAL ASSISTANCE TO THE AGRARIAN REFORM
COOPERATIVES AND DECREE 207 BENEFICIARIES

Presented to:

UNITED STATES AGENCY FOR INTERNATIONAL
DEVELOPMENT/EL SALVADOR

and

CENTRAL RESERVE BANK OF EL SALVADOR

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INTRODUCTION

This introduction is divided into two parts in order to more clearly highlight the University's role in providing technical assistance, as well as to review highlights of the Project's progress during the first quarter 1992.

Technical assistance

The first quarter of 1992 has been a transitional period. The majority of the University's effort during this period has been devoted to assisting UTFRA plan, design, and negotiate the various components of its budget, action plan and training program. Unfortunately, the implementation of UTFRA's program has been delayed, possibly up to four months, due to a series of largely procedural problems.

The first problem, which has delayed SETEFE's approval of the use of \$22.9 million (\$20.4 million for credit and \$2.4 million for the training program), was created by the BCR's request to use UTFRA personnel and Project funds to support ISTA's implementation of the "Nuevas Opciones" program. (Under this program, reform sector cooperatives are given several options, the principal one being the parcelization into individually-owned plots.) Since this use of 0307 rediscount funds is not authorized under the terms of the project's agreement, USAID denied the request. Furthermore, USAID requested additional information on UTFRA's organization, since BCR's decision to use UTFRA personnel in support of ISTA's program implied that they were no longer necessary to implement UTFRA's program. The BCR has yet to respond to USAID's request.

A second problem that has delayed implementation of UTFRA's program has been the uncertainty created by the BCR's decision to function primarily as a rediscount facility or "banco de segundo piso". This means that the Central Bank wants to interact only with banks and have no direct dealings with private individuals or nonbank entities such as the cooperatives. This reorganization, which is expected to be completed by June of this year, has implications for the four UTFRA supervisors whose responsibilities require that they interact directly with reform sector cooperatives. The impact of this reorganization on UTFRA has not yet been resolved.

Another disruptive problem affecting the flow of activity within UTFRA during the first quarter was the uncertainty surrounding the unit's move to the new BCR building. A new date for the move was established weekly. Moreover, it was never clear where UTFRA personnel would be located since the selected site on the first floor was too small. This is a source of concern since locating UTFRA personnel in alternative sites would impact on the effectiveness of the unit.

Other University Activity. During this quarter, the Credit Advisor worked closely with GOES and BFA officials to develop a fiduciary agreement between the GOES and the BFA. In its role as a fiduciary, the BFA will administer funds to be used to provide credit to farmers and small enterprises in the 106 municipalities falling within the National Reconstruction Plan. The document elaborated principally by the Credit Advisor is entitled "Convenio de Fideicomiso Entre el Estado y Gobierno de El Salvador y el Banco de Fomento Agropecuario Para La Administracion de los Fondos Destinados Para Credito Agropecuario y Para la Micro y Pequena Empresa en Zonas Designadas en el Plan de Reconstruccion Nacional." Several issues remain to be resolved, the most important being how to determine loan eligibility since the land tenure situation in the Reconstruction Zone remains unsettled.

The University also played the same key role during this quarter, as it did throughout 1991, of providing stability and continuity to the project during a period of uncertainty. During 1991, the uncertainty over whether the project would be extended and in what form was compounded by the leadership vacuum created by UTFRA's former director, who was distracted by his pending retirement. The University's presence contributed to the stability of the project and ensured that many of the project activities continued to be implemented. The University has played a similar role during this quarter. The high degree of uncertainty that naturally surrounds a planning and reorganization period has been intensified by the administrative problems that are pending.

New Project Strategy. UTFRA's revised strategy has three objectives: (1) to facilitate the flow of credit to cooperatives with good possibilities for success and to the small farmers that result from the Land Bank or ISTA's Nuevas Opciones program; (2) to provide training and technical assistance to strengthen the creditworthiness of agrarian reform producers; and (3) to provide training to bank officials that participate in the financing of the agrarian reform sector.

The training and technical assistance plan was developed as an integral part of the credit plan due to the administrative weaknesses of most of the cooperatives and the new small producers. Nevertheless, the plan won't be used to rehabilitate the cooperatives that have serious administrative problems. The parcelization of these cooperatives under the Nuevas Opciones program is considered a better option. For that reason, the training and technical assistance will focus on those cooperatives with the best possibilities for success and on the new small landowners who lack credit, but have not had experience with formal credit institutions. UTFRA will also make arrangements with other institutions or organizations to provide technical assistance.

The training and technical assistance program has three subprograms. The purpose of the first subprogram is to enhance the

productivity of small farmers created under the Land Bank or under ISTA's Nuevas Opciones program. Central to this objective will be the provision of entrepreneurial skills and management training. Since most of these farmers largely plant only basic grains, UTFRA will also coordinate with CENTA and MAG to ensure that they receive technical assistance. It is estimated that there will be approximately 7,000 new small farmers created by these programs in 1992. The purpose of the second subprogram is to provide technical assistance to production cooperatives. Creditworthy cooperatives will receive technical assistance on new projects, while those cooperatives that have the potential for becoming creditworthy will also receive technical assistance to address their deficiencies. Those with severe problems will be encouraged to opt for one of the options offered by ISTA. UTFRA will coordinate with other USAID programs (TECHNOSERVE, CLUSA, DIVAGRO-FUSADES, etc.) to complement the technical support for the new projects.

The purpose of the third subprogram will be to provide training for bank officials and technicians who will work with the new small producers and the production cooperatives. The goal is to provide orientation with regards to the technical, economic, and entrepreneurial situation of the small producers and the production coops.

A novel element of the technical assistance program is that UTFRA will no longer be involved in its day-to-day administration. Instead, a local consulting firm will be in charge of administering the program. This firm will coordinate with local consulting firms called upon to provide technical assistance on specific investment projects and organize the training courses. UTFRA's coordinator will activate the administering firm through task orders. The University and UTFRA held a series of meetings with TECHNOSERVE to assess that organization's interest and capacities in administering the program.

Finally, since the BFA represents 45% of UTFRA's annual credit goal for contracted credit, UTFRA's action plan contains a component tailored towards strengthening the institutional capacity of the BFA.

Project Performance

For 1992, UTFRA has established an annual target for contracted credit of \$222.4 million (\$27.8 million), of which \$196.5 million (\$24.8 million) is for production loans and \$23.9 million (\$3.0 million) is for investment. This represents a small increase over last year's target. The initial target was reduced by \$40 million (\$5 million) since BFA's credit ceiling for the year was reduced by BCR monetary policy. Private banks also submitted lower goals for 1992. The banks consider themselves to be too overexposed with respect to the agrarian reform sector and argue

at any increased exposure threatens the interests of their new shareholders. In addition, the composition of the annual target is shifted towards production loans. One reason for this is that a vacuum now exists in terms of the identifying and formulating investment projects. The BCR no longer wants UTFRA supervisors to identify and formulate projects. It wants this activity to be done by the private banks. Yet, since the subsidy provided by the project to pay for the salaries of credit agents ended July 31, 1991, private banks no longer have the incentive to carry out this activity. Another reason for the shift in composition is the greater reluctance that private banks have towards investment projects. For instance, private banks reduced their investment targets for coffee projects by approximately 50% of the 1991 target. In addition, rather than using the Loan Guarantee Fund for new projects, the private banks are using it to protect their existing portfolio.

Despite the difficulties detailed above, the Project made steady progress during the first quarter 1992. Indeed, it appears that the project was highly successful in mobilizing the flow of credit to the reform sector. The C19.3 million (\$2.4 million) in loans granted during the quarter was the highest of any first quarter over the life of the project. The contracted credit consisted of 1,047 production credits totaling C18.0 million (\$2.3 million) and 3 investment credits totaling C1.3 million (\$.2 million). The total for contracted credit during this quarter must be qualified, however, since a substantial portion does not reflect new lending, but instead includes loans which the BFA was unable to rediscount in 1991 due to a ceiling imposed by the BCR. Nonetheless, the first quarter has historically had low activity in terms of contracted credit with the BCR.

On a more optimistic note, it should be pointed out that only \$381,000 of the \$46 million granted by USAID under the 0307 Project remain to be transferred to the BCR. As reported in the Final Evaluation document, as of March 31, 1991, nearly \$25 million of the total amount of resources assigned for credit remained to be utilized. Since that time, the BCR has submitted vouchers totaling \$9.1 million for loans made to the reform sector and USAID has approved the transfer to the GOES of \$5.1 million to be used to fund the fiduciary to be established in the BFA for the purpose of providing credits under the National Reconstruction Plan.

Participation of Women In the case of cooperatives, the number and volume of credit made available to women under the line is difficult to assess since loans are not made to individuals, but to cooperatives. Of course, the membership of these cooperatives consists of both men and women. In the case of individually-operated holdings, loans are granted to men and women without any discrimination. Out of a total 31,609 recipients of credit in the reform sector, 3,596 or 11% were women.

Office Facilities. The on-again off-again move from the Markay Building to the new BCR building has been rescheduled for October 1992. Although the move is in line with the Bank's plan to make UTFRA a permanent part of its structure, the space set aside in the new building is too small to accommodate all of UTFRA's personnel. Several employees would be housed on the third floor. This is a source of concern because once away from UTFRA's main office communication will be more difficult and these personnel may be asked to assist on other non-Project activities.

One advantage of moving to the new BCR building will be that the office activity won't be disrupted by the daily cut-off of power that occurs due to the rationing of electricity.

UTFRA's Reorganization. As indicated in the introduction, UTFRA's action plan calls for a restructuring and a change in its role during 1992. UTFRA supervisors will no longer be involved directly in identifying and promoting investment projects, nor will each supervisor be assigned to oversee a particular special investment project. Instead, supervisors will function as coordinators with various institutions. A supervisor will be assigned to coordinate BCR-UTFRA activities with ISTA, the Land Bank, MAG-CENTA, and other institutions that affect the agrarian reform sector. Another supervisor will coordinate UTFRA-BCR activities with private banks and the Banco Hipotecario, and coordinating the special coffee project with PROCAFE. Two other supervisors will work with the BFA. The training coordinator will no longer be responsible for contracting with individual firms or organizations to provide specific classes. Instead, these duties will be transferred to a local consulting firm, that will respond to the training coordinator's task orders.

III. PROMOTING THE USE OF AND MONITORING THE REDISCOUNT LINE

A major responsibility of ASU is to work with the UTFRA in developing improved ways of monitoring the 0307 Project rediscount line and promoting of use of the line for solid credit projects, including non-traditional and traditional exports.

Background. During the first four years of the project, this proved to be the most time consuming component. The ASU credit advisor and his assistant dedicated their time almost exclusively to this work. Not only was there the matter of working with the UTFRA to establish methods and procedures to monitor progress, but also the development of new project activities such as the special programs to promote investment projects. The eligibility of the BFA for the 0307 Project and the development of a loan guarantee fund and the elimination of the conditionality clause that was precluding the use of project funds to better serve the credit

needs of the reform sector, largely came about as a result of ASU initiative and assistance.

In previous years, there were seven planned objectives for the UTFRA: (a) develop and implement special projects to promote the use, especially for non-traditional and traditional exports, of 0307 Project funds in accordance with the 1990 UTFRA goals; (b) develop possibilities for investments in agribusiness projects for reformed-sector cooperatives; (c) initiate farm plans to identify investment projects for selected cooperatives; (d) support the BFA's eligibility for use the 0307 rediscount line; (e) delinquency control among 0307 Project borrowers; (f) monitor the participating banks' progress in meeting their 1991 goals for 0307 Project lending, and (g) reduce risk for the banks in lending to the reformed sector by encouraging the use of the Loan Guarantee Fund. A more limited set of activities is planned for 1992.

Activities for 1992. During 1992, there were five planned objectives for the UTFRA: (a) promote the use of 0307 Project funds in accordance with the 1990 UTFRA goals; (b) support the BFA; (c) delinquency control among 0307 Project borrowers; (d) monitor the participating banks' progress in meeting their 1992 goals for 0307 Project lending, and (e) reduce risk for the banks in lending to the reformed sector by encouraging the use of the Loan Guarantee Fund.

The following sections report on the activities undertaken to meet each objective, the accomplishments obtained, and the problems encountered in meeting the objectives for each of the three special projects. In addition, the efforts on other investment projects promoted in previous years are summarized.

Special Investment Projects

In order to promote the use of 0307 Project funds, three classes of special projects were identified in the UTFRA's 1992 Plan. The projects are: (a) renovation of existing and establishment of new high-yield coffee plantations; (b) production of non-traditional exports, and (c) the purchase of agricultural equipment and machinery.

During the quarter, there were no contracted projects under any of the special projects. This is to be expected since projects are normally formulated during the first quarter and contracted during later quarters. One problem that did arise with all three special projects was the reluctance of private banks to finance these investments. This reluctance was reflected in the annual goals submitted by each bank, which were substantially below the 1991 goals for formulated and contracted projects.

Renovation and Establishment of Coffee Plantations

This work is done by the UTFRA in collaboration with PROCAFE the El Salvadoran Coffee Research Institute (ISIC), which has been privatized and renamed PROCAFE.

The new project strategy calls for technical assistance to continue to be provided to agrarian reform cooperatives for which the private banks have identified investment projects for the purpose of renovating or establishing new coffee plantations. Meetings were held with officials of PROCAFE to discuss continuing the technical assistance contracts and, if required, the provision of economic support to PROCAFE by UTFRA. To date, the coordinating document has not been signed.

The 1992 target for formulated investment projects is 32 projects totaling C12.1 million and for contracted projects is 22 total C8.5 million.

Accomplishments.

During the first quarter, 6 projects totaling C1.4 million (\$0.18 million) were formulated. This is a favorable development since the C1.4 million falls slightly short of the C1.7 million contracting target for all investment projects. Private banks have chosen not to use the rediscount line because they find themselves with excess liquidity.

Following is a summary of achievements during the life of project.

LENDING FOR THE RENOVATION AND ESTABLISHMENT OF COFFEE PLANTATIONS

<u>Year</u>	<u>Number of manzanas</u>	<u>Amount granted (C 000)</u>	<u>Amount disbursed (C 000)</u>
1987	782	3,873.6	3,530.4
1988	915	4,764.5	3,982.6
1989	1,465	10,243.2	8,400.1
1990	1,943	20,039.4	13,620.5
1991	<u>663</u>	<u>9,439.1</u>	<u>5,072.5</u>
TOTAL	5,768	48,359.8	34,606.1

Problems.

Commercial banks reduced sharply the annual target for the amount to be contracted in comparison to last year's target by nearly 50%. Banks are reluctant to finance investment projects due to the uncertainty created by the unresolved land tenure situation.

Plans for Next Quarter.

Although a formal agreement has not been signed by UTFRA and PROCAFE, we will continue a joint effort to ensure that the annual goals are attained.

Non-Traditional Exports

The 1992 target for formulated projects is 176 projects totaling \$36.1 million and for contracted projects is 126 totaling \$25.9 million. This project is carried partly with the assistance of CLUSA (46 projects totaling \$8.7 million).

Accomplishments.

During the first quarter, 28 projects were approved total \$3.4 million. No projects were contracted since credits for these crops are usually contracted during the second quarter.

Problems.

None.

Plans for Next Quarter.

Continue the concerted effort to attain the annual goals for formulated and contracted projects.

Agricultural Equipment and Machinery

This activity was implemented within the context of a special project during the first quarter 1991. Doing so was intended to give this already existing activity greater emphasis.

The 1992 target for formulated projects is 31 projects totaling \$12.2 million and for contracted projects is 21 totaling \$9.2 million.

Accomplishments.

During the quarter 11 projects were formulated totaling \$2.0 million. There were no contracted projects.

Problems.

None.

Plans for Next Quarter.

Work towards meeting the annual contracting target.

Summary of Earlier Efforts on Other Projects

Irrigation

This project was started with collaboration of the Directorate of Irrigation (DIR) in the Ministry of Agriculture. A technician on loan from the DIR, Ing. Guillermo Henríquez Nuñez, worked during part of 1990 with the UTFRA to promote and identify possible irrigation projects. This collaboration led to the identification of 18 potential irrigation projects. Although Ing. Nuñez's collaboration ended during the fourth quarter of 1990, 75 additional small projects were identified and added to the list of projects. During the first quarter 1991, UTFRA assigned an employee, Ing. Miguel Rene Ruiz, to promote and coordinate UTFRA's activities related to this project.

Problems to implement irrigation projects continued in spite of renewed efforts during the third quarter 1991. After a series of visits to coops and banks, seven projects were accepted by coops and banks to proceed to the project design phase with local private firms. Six firms were invited to a meeting where documentation was provided to them to visit the seven cooperatives and make proposals. After proposals were received, UTFRA held a second meeting to open proposals. All the banks involved (5) were asked to send a representative, ISTA and a representative from each one of the 7 cooperatives was invited. Two cooperatives did not attend. All the other 5 cooperatives declined to proceed with the projects. The banks did not cooperate. On the other hand, they offered the cooperatives to finance supposedly less risky projects like the purchase of a tractor, etc. It was a total frustration.

The size of the majority of projects was about 60 manzanas to be irrigated, mainly for non-traditional crops and vegetables. The cost of project design averaged \$60,000. In most cases this cost appeared to be the major constraint for the cooperatives that found it to be too high for their present economic situation, even though this cost would be included in the credit if the project was feasible.

Commercial Shrimp Farms

In 1989, feasibility studies were completed for three potential salt-water shrimp farms located on three cooperatives.

The results showed that a large investment using a fairly intensive level of technology would be required to make these projects economically feasible. Unfortunately, these cooperatives underwent changes in early 1991 that virtually eliminated them as potential sites. In two cases the cooperatives were subdivided into individual plots and in the third the vast majority of the acreage was planted with sugar cane.

In 1990, DIVAGRO started to promote fresh-water shrimp production. At the same time, UTFRA with ASU assistance, started talks with BFA credit officials to explore possibilities for small fresh-water shrimp production. Several sites in 5 reformed-sector cooperatives were identified and the UTFRA initiated plans to coordinate with DIVAGRO to provide technical assistance. The identified sites were in cooperatives that had received financing during the early eighties from the BFA to grow tilapia; however, the projects and their facilities had been abandoned. During the second quarter 1991, the credit advisor had intense discussions with FUSADES/DIVAGRO in order to move this process forward. Project funds would be used to repair and rehabilitate the infrastructure, while FUSADES/DIVAGRO would fund the necessary technical assistance which is to be provided by RPI. However, these efforts yielded no results.

It is important to note that problems with these projects are not limited to those being promoted in reform sector cooperatives. There has not been much progress even in the private sector in advancing shrimp projects.

Agribusiness

In this activity the UTFRA has collaborated with the BID/IICA/MAG Project which developed agribusiness projects, such as plants to process farm products for selected cooperatives. Under this arrangement 0307 funds would be used to finance the investments. At the end of 1990, 29 projects valued at C35.9 million (\$4.4 million) in 23 cooperatives had been identified as having possibilities for funding. The projects and their status are shown in Table I. Nothing happened in terms of promoting these projects. Upon closer inspection, few had any potential for being funded due to the complexity of designing and implementing them.

Farm Plans

This activity was designed to identify feasible investment projects by means of detailed farm plans for selected cooperatives. Nothing concrete was accomplished due to a lack of interest by the previous director. Moreover, the concept was not incorporated into the new project strategy.

Banco de Fomento Agropecuario

The BFA has become the single source of credit for 2/3's of the reformed sector cooperatives and virtually all 207 beneficiaries. Yet, at the time this project was implemented, the BFA was not made eligible to use the Project's funds, because of noncompliance with the terms of other USAID projects. Following the resolution of these earlier problems, the GOES and USAID signed an agreement in May 1990 making the BFA eligible to use 0307 rediscounts. Under the agreement, the BFA was made eligible to rediscount loans up to an initial amount set at \$5 million; any additional amounts would depend on the BFA's progress in complying with a plan of action related to its role and performance. Since it is clear that the BFA's continued eligibility to use 0307 rediscounts is critical for the Project's goal of using the 0307 rediscount line to meet the credit needs of the reformed sector, the University has provided technical assistance to assist the BFA comply with the terms of the agreement.

The BFA continues to play a key role in mobilizing funds for the reform sector during the Project extension. This is underscored by that fact that it represents 45% of UTFRA's 1992 annual credit goal for contracted credit. To strengthen the institutional capacity of the BFA, UTFRA's action plan contains a specially tailored program for the BFA, which includes having the University provide outside consultants.

Compliance with the Memorandum of Understanding

During the fourth quarter of 1990, the BFA contracted \$4.6 million with the BCR. However, USAID turned down the first voucher for disbursement submitted by BCR, apparently because of BFA's unsatisfactory progress toward meeting the terms outlined under the USAID-GOES agreement. In an effort to resolve this problem, USAID and BFA held extensive discussions during the first and second quarter. These discussions were fruitful and led to a new agreement in March, consisting essentially of a modification of the timetable required for fulfilling the various conditions outlined in the initial agreement.

Prior to the completion of these discussions, USAID asked ASU to obtain the services of an outside consultant to assist the BFA in complying with the conditions established in the USAID-GOES agreement. The consultant had to be someone with extensive development bank experience and expertise. ASU obtained the services of Mr. Robert E. LaPort, who was one of the preferred candidates on a short list of consultants identified in collaboration with USAID. In addition to considerable development bank expertise, Mr. LaPort has extensive knowledge of the 0307 Project since he headed its mid-term evaluation team. Mr. LaPort arrived in El Salvador on May 6, 1991 and stayed one month. He

returned again on July 23, 1991 and remained through August 10, 1991. During both stays, he received the full cooperation of the BFA.

The following summarizes the actions taken by the BFA to comply with the conditions of the MOU. It is current through March 31, 1992. The following also describes the technical assistance provided by the University.

The conditions agreed to in the MOU fall under two broad categories: (1) Events For the Transfer of BFA's Non-Banking (Complementary) Facilities and Activities, and (2) Events to Strengthen BFA's Banking Activities. Within each category are a set of objectives, each with a specific timetable for completion.

Events For the Transfer of BFA's Non-Banking (Complementary) Facilities and Activities

Objective I Divestiture of all property assets used in non-banking facilities

Action 1a. Develop plan to liquidate resources (rented and owned) used in non-banking activities.

Plan was completed with the assistance of Robert LaPort and was sent to USAID in June 1991.

Action 1b. Begin implementation of the plan described above, canceling all leases of rented warehouses by December 1991.

Plan is currently being implemented.

Action 1c. The BFA will cancel the leases for the 22 leased warehouses and remove all employees according to the following timetable: 8 warehouses by July 1991, 8 by October 1991, and 6 by December 1991.

This action was completed by December 31, 1991. All 22 warehouses have been closed.

Action 2a. The BFA will determine the costs of operation, maintenance, and cost to carry for each of the six BFA-owned properties.

Action was completed by Robert LaPort and Ing. Monge Ayala of the BFA. The study was submitted to USAID in June 1991.

Action 2b. The MAG through its Transition Team will develop a plan and strategy for transferring IRA and BFA-owned assets. The date for completion of this action is September 1991.

This is related to Objective III, 2b the strategic reserve concept to be developed by MAG. BFA has limitations in disposing of its facilities because they were financed, in part, with an IDB loan. The BFA and MIPLAN (Planning Ministry) have joined together to work with BID in finding a solution to the problem.

Objective II Suspend sale of agricultural inputs

Action 1. The BFA will import 30,000 metric tons of fertilizer contracted prior to 1991 for sale through 1991.

1991 imports have stopped at 29,500 metric tons of fertilizer.

Action 2. The BFA will cease purchases of agricultural inputs on January 1991.

Purchases have stopped.

Action 3. The BFA will cease sales of agricultural inputs.

An effort is underway to sell unsold inventories to distributors. The BFA has made a decision to cease sales by the end of January 1992.

Objective III BFA will cease purchase and sale of grains and milk

Action 1. BCR and BFA will maintain a credit line sufficient to satisfy demand by the private sector to buy basic grains.

The BCR has established a \$50 million line of credit for the purchase of grains and other food items for the Strategic Reserve and to finance the sale of basic grains to the private sector. During 1991, the BFA provided \$11.5 million in credit to animal feed producers and \$1.2 million for the purchase of 12,000 qqs. of corn. During 1992, the BFA has provided credits for these respective activities totaling \$6.5 million and \$231,000.

Action 2a. The BFA, acting as a trustee for the MAG, will purchase for the strategic reserve the following: 500,000 qq (1 qq = 100 lbs) of corn and 100,00 qq of beans.

During the first quarter 1992, the following was purchased: 54,734 qq of white corn and 27,732 qq of red beans. As of March 31, 1992, BFA's reserves consisted of 857,639 qq of white corn valued at \$58.7 million and 96,713 qq of red beans valued at \$23.0 million.

Action 2b. The MAG will send USAID its determination with respect to the composition and management of the strategic reserve. Date for completion: June 1991

Action was completed by the MAG.

Action 3. The BFA will cease purchase of milk after March 1991.

The BFA has ceased purchases of milk. As of March 31, 1992, the BFA had 193,917 5 lb.-cans. A contract has been negotiated with a local firm for the sale of the entire inventory by the end of 1992.

Events to Strengthen BFA's Banking Activities.

Objective I Reduce administrative costs of banking operations to 7% of the total portfolio value

Action 1a. Establish by August 1991 a separate administrative and cost structure for all banking activities.

The BFA produced a proposal, with Robert Laport's assistance, which is under consideration by BFA officials.

The BFA has submitted a request to USAID to obtain technical assistance in analyzing the proposal and putting into effect those recommendations that are feasible.

Action 1b. Initiate the implementation of the transaction cost reduction plan by September 1991.

Work will start once Action 1a is completed.

Action 2. Develop a plan to reduce transactions costs by June 1991 and present it to BCR and USAID.

Action completed.

Action 3. Initiate the transaction cost reduction plan.

The cost reduction program is currently underway. Agencies have already taken steps to simplify procedures in the credit area.

The BFA has requested technical assistance in implementing this program.

Objective II Reduce delinquency rate of portfolio as of December 31, 1989

Action 1. Implement plan to write-off 2500 non-performing loans by December 1991.

This is a major problem area; but, because of the credit advisor's strong intervention, the likelihood of meeting this requirement is now substantially greater. The BFA's earlier program to clean up the portfolio was paralyzed by the objections of the internal auditor, who argued that all registries of property had to be checked for properties owned by all makers and co-signers of loan contracts prior to writing off any loans. Complying with this requirement would have been exceedingly costly, since the resources required to search the registries would in the majority of the cases far exceed any amounts likely to be recovered. As a consequence of a series of meetings organized by the long-term advisor, the BFA has agreed to reactivate the process of cleaning up the portfolio.

The following was accomplished during 1991.

- Norms to be used for cleaning up the portfolio were developed and approved.
- Personal to execute the cleaning up process were assigned and trained.
- The following was accomplished in 7 agencies:

	<u>number</u>	<u>1,000s \$3</u>
cases identified	1,012	4,447.2
cases pending notification	1,019	3,610.6
cases under foreclosure	282	1,171.0
cases sent to Agencies to <u>continue collection</u>	<u>245</u>	<u>4,976.4</u>
 TOTAL	 2,558	 14,205.2

- The following was accomplished during the first quarter of 1992.
- 191 cases were documented for cleaning up in the Sonsonate Agency.
 - Preparation of documents for cleaning up loans through June 30, 1992.
 - Initiated the Automation Project for Cleaning Up the Portfolio, which will consolidate the registries from each agency with that in Central Computing and incorporate this information into the system for credits.

Objective III Maintain a collection rate of not less than 86% on new loans made after March 30, 1990

Action 1. Design a proposal for presentation to the GOES Economic Committee for a method by which the GOES can guarantee the BFA against loss in making policy loans to high-risk borrowers.

Robert LaPort assisted in drafting a proposal, which was completed by BFA personnel in June 1991 and submitted to GOES Economic

Committee on August 19, 1991. The proposal was resubmitted November 1, 1991.

Objective IV Sale of acquired assets

Action 1. Complete legal requirements for court intervention for sale of properties guarantying bad loans to permit sale of \$5 million of these properties.

Action completed. The annual target of recovering \$6.5 million was exceeded by 108%; during 1991, \$13.5 million was recuperated. In addition, during the same period, 155 properties totaling \$46.0 million were foreclosed, a high percentage of which are or are in the process of being impounded.

During the first quarter of 1992, 42 cases were filed for foreclosure totaling \$4.6 million (\$5.7 million) and during January and February \$2.8 million (\$3.2 million) was recovered through foreclosure.

Action 2. Sell annually during next 3 years at least \$5 million of foreclosed properties.

Three rural and six urban properties have been presented to the Board of Directors to be valued prior to being offered for sale. The rural properties will be sold through the Land Bank. Additional efforts continue.

Plans for Next Quarter

1. Lay the groundwork for incorporating the BFA within the new project strategy. This will include a training program to increasing the capacity of BFA technicians to formulate projects.
2. Continue to work on the problem created by the inclusion of OS07 Project funds used by the BFA within the total funds that BCR makes available to the banks.
3. Continue to keep close contact with BFA and USAID on BFA's progress in meeting its obligations under USAID-GOES agreement.
4. Work with BFA to meet its 1992 annual goal.
5. Once a request is transmitted from USAID through the BCR, obtain the services of an outside consultant to assist the BFA implement its program to strengthen its institutional capacity.

Monitoring Progress in Meeting 1990 Credit Goals

It is important to monitor the credit line with respect to established goals in order to measure progress. As noted in earlier reports, the ongoing privatization of the commercial banks has created very serious problems. The banking system has sorted cooperatives into two groups; approximately 100 are continuing to receive production loans from commercial banks, while the remaining 300 are being forced to turn to the BFA for their credit needs. Moreover, the implementation of the Loan Guarantee Fund has not served to alleviate commercial banks' reluctance to lend for investment projects. The new strategy and reorganization of UTFRA is designed to address these problems.

Plans for Next Quarter.

1. Obtain approval and begin implementation of new project strategy.
2. Continue to monitor use of the rediscount line.
3. Continue alert to developments related to the privatization and its impact on the reform sector.

Loan Guarantee Fund

The Loan Guarantee Fund operations increased more than 23.1% from the fourth quarter 1991. The total volume of loans guaranteed was \$125.3 million as of March, up from \$101.8 million guaranteed as of December 1991. However, the amount guaranteed was \$72.3 million, equivalent to 58%, out of the maximum of 70% allowable for any loan. The \$72.3 million represents 72.3% of the Fund's capital of \$100 million and 36.1% of Fund's maximum that is established at 200% of its capital. Quarterly volume of operations is shown below since its inception in April 1991.

MONTH	AMOUNT OF LOANS GRANTED (C000)	CUMULATIVE (C000)	AMOUNT GUARANTEED (C000)	CUMULATIVE (C000)
1991				
April-June	31,957.0	51,195.5	17,662.5	27,096.2
July-Sept	49,788.3	81,745.3	29,005.2	46,667.7
Oct-Dec	20,060.0	101,805.3	12,461.1	59,128.8
1992				
Jan-Mar	<u>23,444.0</u>	<u>125,249.3</u>	<u>13,204.2</u>	<u>72,332.0</u>
TOTAL	125,249.3	125,249.3	72,332.0	72,332.0

The low levels in the quarterly volume for the fourth quarter 1991 and first quarter 1992 reflect the cyclical pattern of agricultural activities.

Of the ₡65.8 million guaranteed by the Fund, ₡54.7 million, equivalent to 91.0% went to the reform sector (₡56.7 million to Phase I, ₡3.6 million to Phase III, ₡5.5 million traditional BFA cooperatives) and ₡6.5 million or 9.0% to independent small farmers with assets not to exceed ₡100,000.

The BFA, as expected, has been the main user of the Fund's guarantee facility. A total of ₡79.9 million or 63% of the amount of loans guaranteed and ₡45.2 million or 89.0% of the total amount guaranteed went to BFA. The amounts by lending institution is shown below.

LENDING INSTITUTION	AMOUNT OF LOANS GUARANTEED (₡000)	AMOUNT GUARANTEED (₡000)	PERCENT (%)
Fomento Agropecuario	79,862.0	45,216.0	63.0
Cuscatlan	16,621.8	9,595.0	13.0
Hipotecario	13,070.9	9,149.6	13.0
Salvadoreno	5,544.4	3,317.0	5.0
Comercio	3,910.2	2,032.0	3.0
Agricola Comercial	3,580.6	1,450.6	2.0
Desarrollo e Inversion	845.1	591.6	1.0
FEDECCREDITO	<u>1,814.3</u>	<u>981.4</u>	<u>1.0</u>
T O T A L	125,249.3	72,334.3	100.0

The fund has not been used as planned to guarantee investment projects. Most of the loans guaranteed, about 80.9%, have gone to production loans with basic grains accounting for a sizable percentage.

Conclusions

The rediscount line and actions and initiatives to promote its use is the component of the ASU contract that requires the most time and effort. At the beginning of the project it was necessary for ASU to advise the UTFRA on the development and design of monitoring procedures. This is an on going process, since the

development of each new activity creates another requirement for monitoring. Consequently, new procedures continually need to be developed. ASU was later instrumental in proposing and developing the special projects approach to promote the use of the 0307 line, in designing the Loan Guarantee Fund, implementing the fund, initiating plans to bring the BFA into the Project, and implementing the plan with the BFA.

During the latter part of 1991, ASU spent considerable time developing a new strategy and designing a new structure for UTFRA consistent with that strategy. This activity is intended to promote the full use of 0307 funds during the extension period.

IV. TRAINING

This has been and will continue to be an important component of the 0307 Project. The training plan for 1992, which has not yet been approved, includes important changes. Among borrowers, the scope will be broadened to include small landholders who receive land through the new Land Bank and the small landholders formed when a cooperative chooses to subdivide under the New Opciones program.

Background. An important component of the 0307 Project has been the provision of training of credit agents, bank personnel and borrowers in subject matter that will enhance the success of the Project. ASU provided technical assistance to the UTFRA in planning the training and in preparing contracts for consultants where ASU contract funds were involved. Initially ASU carried out the implementation of the training; later, the in-country training was left to the UTFRA, which used local counterpart funds to implement the program. UTFRA's annual training plan had three objectives: (a) increasing the capacity of project credit agents and the heads of the agricultural credit departments in the banks to formulate and evaluate investment projects, (b) increasing the capacity of the reform sector to use investment credit productively, and (c) strengthening the technical capacity of banking system personnel through graduate training.

New Strategy. The new training and technical assistance component has three subprograms. The purpose of the first subprogram is to enhance the productivity of small farmers created under the Land Bank or under ISTA's New Opciones program. Central to this objective will be the provision of entrepreneurial skills and management training. Since most of these farmers largely plant only basic grains, UTFRA will also coordinate with CENTA and MAG to ensure that they receive technical assistance. It is estimated that there will be approximately 7,000 new small farmers created by these programs in 1992. The purpose of the second subprogram is to provide technical assistance to production cooperatives. Creditworthy cooperatives will receive technical assistance on new

projects, while those cooperatives that have the potential for becoming creditworthy will also receive technical assistance to address their deficiencies. Those with severe problems will be encouraged to opt for one of the options offered by ISTA. UTFRA will coordinate with other USAID programs (TECHNOSERVE, CLUSA, DIVAGRO-FUSADES, etc.) to complement the technical support for the new projects. The purpose of the third subprogram will be to provide training for bank officials and technicians who will work with the new small producers and the production cooperatives. The goal is to provide orientation with regards to the technical, economic, and entrepreneurial situation of the small producers and the production coops.

A novel element of the technical assistance program is that UTFRA will no longer be involved in its day-to-day administration. Instead, a local consulting firm will be in charge of administering the program. This firm will coordinate with local consulting firms called upon to provide technical assistance on specific investment projects and organize the training courses. UTFRA's coordinator will activate the administering firm through task orders. The University and UTFRA held a series of meetings with TECHNOSERVE to assess that organization's interest in administering the program.

Finally, since the BFA represents 45% of UTFRA's annual credit goal for contracted credit, UTFRA's action plan contains a component tailored towards strengthening the institutional capacity of the BFA.

Credit Agent Training

In future reports, this section will contain a summary of the number of participants and courses offered.

Increasing the Productive Capacity of the Reformed Sector

In future reports, this section will contain a summary of the number of participants and courses offered.

Master's Degree

Summary: 12 candidates from the banking system were selected for out-of-country master's degree programs. 7 attended the Technical Institute for Higher Education in Monterrey, Mexico; 1 attended INCAE in Costa Rica; and, 4 attended Arizona State University. Eleven of the twelve candidates graduated; one withdrew due to illness.

ABANSA Equipment

Summary: The University has purchased approximately \$120,000 in computer and related equipment for the El Salvadoran Banker's Association (ABANSA) training facilities. Although these purchases are \$6,000 short of the amount designated for ABANSA in ASU's contract, USAID requested that the funds be rebudgeted.

V. RESEARCH, POLICY STUDIES AND SEMINARS

In future reports, this section will contain a summary of ASU's activities.

VI. PERFORMANCE OF THE 0307 REDISCOUNT LINE

This section summarizes and analyzes the performance of the 519-0307 Project rediscount line in the first quarter 1992 as well as the trends over the life of the project. The reader is referred to the UTFRA to obtain detailed data on rediscounting at BCR and lending by individual banks to specific cooperatives and Decree 207 beneficiaries.

Performance in the First Quarter 1992

Loans Granted: Total, Term and Purpose

The Project continues to make steady progress in mobilizing the flow of credit to the reform sector. As shown in Table II, there was a total of 1220 rediscounted loans made in the quarter for a total of ₡19.3 million (\$2.4 million). (Note: Conversions to US dollars are made at the exchange rate of ₡8.00 = \$1.00.) The flow of credit granted during this quarter normally declines this quarter. Most activity peaks during the following two quarters in preparation for the coming planting season.

Of the total 1220 loans granted, 1,217 loans valued at ₡18.0 million (\$2.3 million) were for production purposes. This represented 99.8% and 93.3%, respectively, of the total numbers and volume. The 3 investment loans were valued at ₡1.3 million (\$.2 million) and accounted for .2% of loan numbers and 6.7% of total loan volume. Production loans generally dominate both in terms of numbers and volume, reflecting the difficulties of lending for investment projects among this clientele.

Table III shows loans granted by purpose. Phase I cooperatives accounted for 90.7% of the production loan volume and only 14% of the production loan numbers. The volume of their loans was concentrated in traditional crops for export and for local consumption purposes representing, respectively, 66.4% and 24.3% of the total production loan volume. Phase III producers accounted

(Value in Colones)

	PRODUCTION LOANS	INVESTMENT LOANS	TOTAL
<u>PHASE I COOPERATIVES</u>			
NUMBER OF COOPERATIVES RECEIVING LOANS	9	3	11
NUMBER OF LOANS GRANTED	170	3	173
AMOUNT GRANTED	16,338,023.40	1,314,082.00	17,652,105.40
AMOUNT DISBURSED	15,460,139.36	1,314,082.00	16,774,221.36
AMOUNT REPAID	.00	.00	.00
NUMBER OF BANKS MAKING LOANS	3	2	3
<u>DECREE 207 BENEFICIARIES</u>			
NUMBER OF LOANS GRANTED	1,047	0	1,047
AMOUNT GRANTED	1,679,874.99	.00	1,679,874.99
AMOUNT DISBURSED	1,679,874.99	.00	1,679,874.99
AMOUNT REPAID	.00	.00	.00
NUMBER OF BANKS MAKING LOANS	1	0	1
<u>TOTAL</u>			
NUMBER OF LOANS GRANTED	1,217	3	1,220
AMOUNT GRANTED	18,017,898.39	1,314,082.00	19,331,980.39
AMOUNT DISBURSED	17,140,014.35	1,314,082.00	18,454,096.35
AMOUNT REPAID	.00	.00	.00
NUMBER OF BANKS MAKING LOANS	3	2	3

* The figures below show the actual amount disbursed during the quarter for credits contracted both in this quarter and in previous quarters. These quantities more closely indicate the quarterly activity in the rediscount line. For more details see table XIII.

<u>TOTAL AMOUNT DISBURSED</u>			
PHASE I COOPERATIVES	20,662,516.76	2,001,618.96	22,664,135.72
DECREE 207 BENEFICIARIES	1,679,874.99	.00	1,679,874.99
TOTAL	22,342,391.75	2,001,618.96	24,344,010.71

TABLE III. PURPOSE OF LOANS GRANTED BY
UNDER REDISCOUNT LINE AID 519-0307
FROM 01/01/92 TO 03/31/92

BEST AVAILABLE COPY

(Value in Millions Colones)

PURPOSE	Nc. OF LOANS	PERCENT	AMOUNT GRANTED	PERCENT
INVESTMENT LOANS	3	100.0	1,314,082.00	100.0
PHASE I	3	100.0	1,314,082.00	100.0
MACHINERY AND EQUIPMENT Purchase of new machinery and Repair of existing machinery	2	66.7	1,189,052.00	90.5
INFRASTRUCTURE	0	0.0	0.00	0.0
CROPS	0	0.0	0.00	0.0
New coffee plantations	0		0.00	
Renovation of coffee plantations	0		0.00	
Replanting of coffee plantations	0		0.00	
Coconut	0		0.00	
LIVESTOCK	1	33.3	125,000.00	9.5
Dairy	1		125,000.00	
Dual purpose (Dairy/Beef)	0		0.00	
PHASE III	0	0.0	0.00	0.0
MACHINERY AND EQUIPMENT Purchase of new machinery and Repair of existing machinery	0	0.0	0.00	0.0
INFRASTRUCTURE	0	0.0	0.00	0.0
AGROINDUSTRY	0	0.0	0.00	0.0
Coconut Processing	0		0.00	
PRODUCTION LOANS	1,217	100.0	18,017,898.39	100.0
PHASE I	170	14.0	16,338,023.40	90.7
NON TRADITIONAL	0	0.0	0.00	0.0
Vigna	0		0.00	
Melon	0		0.00	
Henequen	0		0.00	
Coconut	0		0.00	
Kenaf	0		0.00	
LOCAL CONSUMPTION	128	10.5	4,372,144.24	24.3
Beef fattening	11		1,073,586.70	
Rice	16		552,075.59	
Beans	15		552,324.90	
Corn	52		509,056.19	
Sorghum	32		1,274,390.86	
Corn Seed	2		410,650.00	
TRADITIONAL FOR EXPORT	42	3.5	11,965,879.16	66.4
Coffee	36		8,738,475.84	
Cotton	6		3,227,403.32	
OTHER	0	0.0	0.00	0.0
Working Capital	0		0.00	
Machinery and Equipment	0		0.00	
PHASE III	1,047	86.0	1,679,874.99	9.3
LOCAL CONSUMPTION	1,043	85.7	1,592,524.99	8.8
Rice	108		263,529.33	
Beans	266		815,561.45	
Corn	274		89,762.30	
Sorghum	395		423,671.91	
TRADITIONAL FOR EXPORT	4	0.3	87,350.00	0.5
Coffee	4		87,350.00	

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for the remaining 9.3% of the production loan volume. The bulk of these loans went for local consumption purposes. The three investment loans were granted to Phase I cooperatives. There were no investment loans among Phase III beneficiaries. Two investment loans, accounting for 90.5% of the loan volume, were used to finance purchases of machinery and equipment. The remaining investment loan was used to finance livestock (dairy) purchases.

Bank Participation

As shown in Table IV, 3 banks granted new loans during the quarter. The BFA dominated lending both in terms of number of loans (1,207) and amount granted (C13.3 million). These represented 98.9% and 68.9% of the respective totals. The least active bank was the Banco de Desarrollo with 4 loans totaling C542,790.

Disbursements and Repayments

As shown in Table II, disbursements from the new loans made in the quarter were C18.5 million (\$2.3 million). Not surprisingly, there were no repayments made on the new loans in the quarter.

As shown in Table XIII, total disbursements during the quarter that includes loans granted in previous quarters were C24.3 million (\$4.9 million). This is the highest level of disbursements for the first quarter during the life of the project. It exceeded the previous high (first quarter 1990) by over C5 million. As shown in Table XII, there were repayments of C7.1 million (\$.9 million).

Portfolio: March 31, 1992

Table V presents data on the portfolio. As of the end of the first quarter 1992, a total of 136 Phase I cooperatives had 570 outstanding loans with an outstanding balance of C133.7 million (\$16.8 million). There were 2,034 outstanding loans to Decree 207 beneficiaries with an outstanding balance of C10.7 million (\$1.3 million) or 13% of the total outstanding balance for the reform sector.

Progress in Meeting 1992 Goals

During the first quarter of 1992, 9.1% of annual production goal and 5.4% of annual investment goal was achieved.

For 1992, UTFRA has established an annual target for contracted credit of C222.4 million (\$27.3 million), of which C192.5 million (\$24.8 million) is for production loans and C23.9 million (\$3.0 million) is for investment. (See Table VI.) This represents a small increase over last year's target. The initial target was reduced by C40 million (\$5 million) since BFA's credit ceiling for the year was reduced by BCR monetary policy. Private

IV. NEW REDISCOUNTED LOANS BY BANKS
 UNDER REDISCOUNT LINE AID 519-0307
 FROM 01/01/92 TO 03/31/92

(Value in Colones)

	INVESTMENT LOANS		PRODUCTIONS LOANS		TOTAL	
	NUMBER	AMOUNT GRANTED	NUMBER	AMOUNT GRANTED	NUMBER	AMOUNT GRANTED
PHASE I COOPERATIVES						
BANCO HIPOTECARIO	1	770,150.00	8	4,671,600.00	9	5,441,750.00
BANCO DE DESARROLLO			4	542,790.00	4	542,790.00
BANCO DE FOMENTO	2	543,932.00	158	11,123,633.40	160	11,667,565.40
TOTAL	3	1,314,082.00	170	16,338,023.40	173	17,652,105.40
DECREE 207 BENEFICIARIES						
BANCO DE FOMENTO			1,047	1,679,874.99	1,047	1,679,874.99
TOTAL	3	1,314,082.00	1,217	18,017,898.39	1,220	19,331,980.39

(Value in Colones)

LOANS TO PHASE I COOPERATIVES	LOANS TO DECREE 207 BENEFICIARIES	TOTAL
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ANNUAL PRODUCTION LOANS

NUMBER OF COOPERATIVES WITH LOANS	26	0	26
NUMBER OF OUTSTANDING LOANS	321	2,025	2,346
AMOUNT GRANTED	68,540,751.40	30,044,382.49	98,585,133.89
AMOUNT DISBURSED	69,532,509.14	23,185,840.72	92,818,349.86
AMOUNT REPAID	666,006.55	13,864,507.50	14,530,514.05
OUTSTANDING BALANCE	68,966,502.59	9,321,333.22	78,287,835.81

INVESTMENT LOANS

NUMBER OF COOPERATIVES WITH LOANS	127	0	127
NUMBER OF OUTSTANDING LOANS	249	9	258
AMOUNT GRANTED	87,805,832.75	1,716,332.00	89,522,164.75
AMOUNT DISBURSED	74,695,562.13	1,609,622.00	76,305,184.13
AMOUNT REPAID	9,937,743.62	184,700.00	10,122,443.62
OUTSTANDING BALANCE	64,757,818.51	1,424,922.00	66,182,740.51

TOTAL

NUMBER OF COOPERATIVES WITH LOANS	136	0	136
NUMBER OF OUTSTANDING LOANS	570	2,034	2,604
AMOUNT GRANTED	156,346,584.15	31,760,714.49	188,107,298.64
AMOUNT DISBURSED	144,328,071.27	24,795,462.72	169,123,533.99
AMOUNT REPAID	10,603,750.17	14,049,207.50	24,652,957.67
OUTSTANDING BALANCE	133,724,321.10	10,746,255.22	144,470,576.32

TABLE VI. ULTRA GOALS FOR CONTRACTING ANNUAL PRODUCTION AND
INVESTMENT CREDITS DURING 1992

RESULTS AS OF MARCH 31, 1992 BY BANK

(€ 1,000)

BANK	ANNUAL PRODUCTION LOANS				INVESTMENT LOANS			
	ANNUAL PROGRAMMED		CONTRACTED		ANNUAL PROGRAMMED		CONTRACTED	
	NO.	€	NO.	€	NO.	€	NO.	€
AGRICOLA COMERCIAL	30	22,657.0	0	0.0	3	822.5	0	0.0
CAPITALIZADOR	0	0.0	0	0.0	0	0.0	0	0.0
COMERCIO	31	13,010.1	0	0.0	3	931.9	0	0.0
CREDITO POPULAR	0	0.0	0	0.0	0	0.0	0	0.0
CUSCATLAN	54	29,497.1	0	0.0	6	1,750.0	0	0.0
HIPOTECARIO	58	21,092.0	8	4,671.6	11	4,165.2	1	770.2
SALVADOREÑO	25	18,364.2	0	0.0	0	0.0	0	0.0
FINANCIERO	0	0.0	0	0.0	0	0.0	0	0.0
MERCANTIL	0	0.0	0	0.0	0	0.0	0	0.0
DESARROLLO	21	9,650.5	4	542.8	2	496.0	0	0.0
DE FOMENTO AGROPECUARIO	513	84,234.6	1,205	12,803.5	77	15,765.4	2	543.9
TOTAL	732	198,505.5	1,217	18,017.9	102	23,929.0	3	1,314.1

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banks also submitted lower goals for 1992. The banks consider themselves to be too overexposed with respect to the agrarian reform sector and argue that any increased exposure threatens the interests of their new shareholders. In addition, the composition of the annual target has shifted towards production loans. One reason for this is that a vacuum now exists in terms of the identifying and formulating investment projects. The BCR no longer wants UTFRA supervisors to identify and formulate projects. It wants this activity to be done by the private banks. Yet, since the subsidy provided by the project to pay for the salaries of credit agents ended July 31, 1991, private banks no longer have the incentive to carry out this activity. Another reason for the shift in composition is the greater reluctance that private banks have towards investment projects. For instance, private banks reduced their investment targets for coffee projects by approximately 50% of the 1991 target. In addition, rather than using the Loan Guarantee Fund for new projects, the private banks are using it to protect their existing portfolio.

Status of Investment Projects as of March 31, 1991

As shown in Table VII, as of the end of March 31, 1992, 22 investment projects had been formulated. As shown in Table VIII, of this number, 19 projects for \$3.0 million had been approved by the banks and 3 for \$1.3 million had been contracted at BCR.

Status of Loans Between Banks and Borrowers

Status as of December 31, 1991

Data on the delinquency status by participating banks are presented in Table IX as of December 31, 1991. The delinquency rate is good. Of the total outstanding portfolio of \$133.5 million, only 3.0% is delinquent; 3.4% (Table X) production loans and 2.1% (Table XI) investment loans. Delinquency is concentrated in two banks: Banco de Fomento Agropecuario and Capitalizador. In the case of Banco de Fomento Agropecuario, the delinquency is concentrated in Phase III beneficiaries that show a 37.4% delinquency as shown below:

BFA Delinquency as of ~~Sept. 30, 1991~~ *December 31, 1991*

<u>Category</u>	<u>Phase I</u>	<u>Phase III</u>	<u>Total</u>
Amount past due (C000)	315.5	1,997.7	2,313.2
Portfolio (C000)	21,086.4	5,338.3	26,424.7
Percent delinquency (%)	1.5	37.4	8.8

TABLE VII. STATUS OF INVESTMENT PROJECTS IN FORMULATION
DURING 1992
AS OF MARCH 31, 1992 BY BANK

(€1,000)

BANK	FORMULATED		IN FORMULATION		NOT STARTED		DISCARDED		TOTAL	
	NO.	€	NO.	€	NO.	€	NO.	€	NO.	€
AGRICOLA COMERCIAL	0	0.0	0	0.0	3	1,175.0	0	0.0	3	1,175.0
CAPITALIZADOR	0	0.0	0	0.0	0	0.0	0	0.0	0	0.0
COMERCIO	1	91.0	0	0.0	3	1,331.3	0	0.0	4	1,422.3
CREDITO POPULAR	0	0.0	0	0.0	0	0.0	0	0.0	0	0.0
CUSCATLAN	0	0.0	0	0.0	6	2,735.4	0	0.0	6	2,735.4
HIPOTECARIO	1	770.2	0	0.0	11	5,947.5	0	0.0	12	6,717.7
SALVADOREÑO	0	0.0	0	0.0	0	0.0	0	0.0	0	0.0
FINANCIERO	0	0.0	0	0.0	0	0.0	0	0.0	0	0.0
MERCANTIL	0	0.0	0	0.0	0	0.0	0	0.0	0	0.0
DESARROLLO	0	0.0	0	0.0	2	708.3	0	0.0	2	708.3
FOMENTO AGROPECUARIO	20	3,408.2	0	0.0	62	20,226.6	0	0.0	82	23,634.8
TOTAL	22	4,269.4	0	0.0	87	32,124.1	0	0.0	109	36,393.5

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TABLE VIII. STATUS OF INVESTMENT PROJECTS ALREADY FORMULATED
DURING 1992

AS OF MARCH 31, 1992 BY BANK

(€1,000)

BANK	1°		2°		3°		4°		5°		6°		7°	
	UNDER REVIEW BY UIFRA		RETURNED TO BANKS FOR CORRECTION		IN PROCESS OF APPROVAL BY BANKS		APPROVED BY BANKS		PROJECTS TURNED DOWN		CONTRACTED WITH BCR		TOTAL	
	NO.	€	NO.	€	NO.	€	NO.	€	NO.	€	NO.	€	NO.	€
	0	0.0	0	0.0	0	0.0	0	0.0	0	0.0	0	0.0	0	0.0
AGRICOLA COMERCIAL	0	0.0	0	0.0	0	0.0	0	0.0	0	0.0	0	0.0	0	0.0
CAPITALIZADOR	0	0.0	0	0.0	0	0.0	1	91.0	0	0.0	0	0.0	1	91.0
COMERCIO	0	0.0	0	0.0	0	0.0	0	0.0	0	0.0	0	0.0	0	0.0
CREDITO POPULAR	0	0.0	0	0.0	0	0.0	0	0.0	0	0.0	0	0.0	0	0.0
CUSCATLAN	0	0.0	0	0.0	0	0.0	0	0.0	0	0.0	1	770.2	1	770.2
HIPOTECARIO	0	0.0	0	0.0	0	0.0	0	0.0	0	0.0	0	0.0	0	0.0
SALVADOREÑO	0	0.0	0	0.0	0	0.0	0	0.0	0	0.0	0	0.0	0	0.0
FINANCIERO	0	0.0	0	0.0	0	0.0	0	0.0	0	0.0	0	0.0	0	0.0
MERCANTIL	0	0.0	0	0.0	0	0.0	0	0.0	0	0.0	0	0.0	0	0.0
DESARROLLO	0	0.0	0	0.0	0	0.0	0	0.0	0	0.0	0	0.0	0	0.0
SUB-TOTAL	0	0.0	0	0.0	0	0.0	1	91.0	0	0.0	1	770.2	2	861.2
FOMENTO AGROPECUARIO	0	0.0	0	0.0	0	0.0	18	2,864.3	0	0.0	2	543.9	20	3,408.2
TOTAL	0	0.0	0	0.0	0	0.0	19	2,955.3	0	0.0	3	1,314.1	22	4,269.4

table 08.01.01

TABLE IX. PERCENTAGE OF DELINQUENCY AND LOAN RECUPERATION OF PRODUCTION AND INVESTMENT LOANS
 BY BANK
 UNDER REDISCOUNT LINE AID 519-0307
 AS OF 12/31/91

(Value in Colons)

BANK (1)	DISBURSED (2)	REPAID (3)	DELINQUENCY (4)	PORTFOLIO (5)	PERCENTAGE DELINQUENCY (6) = (4) / (5)	PERCENTAGE RECUPERATION (7) = (3) / (3 + 4)
AGRICOLA COMERCIAL	49,736,093.20	27,991,216.92	116,262.74	21,744,876.28	0.53	99.59
CAPITALIZADOR	24,607,734.92	17,026,807.69	956,720.12	7,580,847.23	12.62	94.68
DE COMERCIO	23,953,465.09	16,162,344.03	221,232.26	7,791,121.06	2.84	98.65
DE CREDITO POPULAR	10,639,345.12	9,809,398.29	0.00	829,946.83	0.00	100.00
CUSCATLAN	62,041,451.62	48,881,981.59	0.00	13,159,470.03	0.00	100.00
HIPOTECARIO	37,765,180.29	27,503,364.58	68,350.00	10,261,815.71	0.67	99.75
SALVADOREÑO	87,168,200.96	52,491,368.90	346,515.30	34,676,832.06	1.00	99.34
FINANCIERO	0.00	0.00	0.00	0.00	0.00	0.00
MERCANTIL	10,646,442.00	7,786,715.41	0.00	2,859,726.59	0.00	100.00
DE DESARROLLO E INVERSION	18,062,627.96	9,878,456.06	0.00	8,184,171.90	0.00	100.00
DE FOMENTO AGROPECUARIO	46,450,297.46	20,025,624.93	2,313,182.51	26,424,672.53	8.75	89.65
T O T A L E S	371,070,838.62	237,557,358.40	4,022,270.93	133,513,480.22	3.01	98.34

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TABLE X. PERCENTAGE OF DELINQUENCY AND LOAN RECUPERATION OF PRODUCTION LOANS
 BY BANK
 UNDER REDISCOUNT LINE AID 519-0307
 AS OF 12/31/91

(Value in Colons)

BANK (1)	DISBURSED (2)	REPAID (3)	DELINQUENCY (4)	PORTFOLIO (5)	PERCENTAGE DELINQUENCY (6) = (4) / (5)	PERCENTAGE RECUPERATION (7) = (3) / (3 + 4)
AGRICOLA COMERCIAL	41,336,427.34	25,025,528.12	0.00	16,310,899.22	0.00	100.00
CAPITALIZADOR	15,351,921.58	10,792,491.78	951,035.02	4,559,429.80	20.86	91.90
DE COMERCIO	16,647,364.72	15,090,203.36	28,460.00	1,557,161.36	1.83	99.81
DE CREDITO POPULAR	8,812,145.36	8,812,145.31	0.00	0.05	0.00	100.00
CUSCATLAN	51,465,765.69	40,762,217.41	0.00	10,703,548.28	0.00	100.00
HIPOTECARIO	31,675,023.67	24,501,300.94	0.00	7,173,722.73	0.00	100.00
SALVAOREÑO	66,694,467.01	43,124,839.19	0.00	23,569,627.82	0.00	100.00
FINANCIERO	0.00	0.00	0.00	0.00	0.00	0.00
MERCANTIL	7,281,132.42	4,645,015.73	0.00	2,636,116.69	0.00	100.00
DE DESARROLLO E INVERSION	13,434,699.17	7,501,235.79	0.00	5,933,463.38	0.00	100.00
DE FOMENTO AGROPECUARIO	36,147,102.29	19,381,042.93	2,079,217.18	16,766,059.36	12.40	90.31
T O T A L E S	288,846,049.25	199,636,020.56	3,058,712.20	89,210,028.69	3.43	98.49

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TABLE XI. PERCENTAGE OF DELINQUENCY AND LOAN RECOVERY OF INVESTMENT LOANS
 BY BANK
 UNDER REDISCOUNT LINE AID 519-0307
 AS OF 12/31/91

(Value in Colons)

BANK (1)	DISBURSED (2)	REPAID (3)	DELINQUENCY (4)	PORTFOLIO (5)	PERCENTAGE DELINQUENCY (6) = (4) / (5)	PERCENTAGE RECOVERY (7) = (3) / (3 + 4)
AGRICOLA COMERCIAL	8,399,665.86	2,965,688.00	116,262.74	5,433,977.06	2.14	96.23
CAPITALIZADOR	9,255,813.34	6,234,395.91	5,693.10	3,021,417.43	0.19	99.91
DE COMERCIO	7,306,100.37	1,072,140.67	192,772.26	6,233,959.70	3.09	84.76
DE CREDITO POPULAR	1,827,199.76	997,252.98	0.00	829,946.78	0.00	100.00
GUSCATLAN	10,575,685.93	8,119,764.18	0.00	2,455,921.75	0.00	100.00
HIPOTECARIO	6,090,156.62	3,002,063.64	60,350.00	3,088,092.98	2.21	97.77
SALVADOREÑO	20,473,733.95	9,366,529.71	346,515.30	11,107,204.24	3.12	96.43
FINANCIERO	0.00	0.00	0.00	0.00	0.00	0.00
MERCANTIL	3,365,309.58	3,141,699.68	0.00	223,609.90	0.00	100.00
DE DESARROLLO E INVERSION	4,627,928.79	2,377,220.27	0.00	2,250,708.52	0.00	100.00
DE FOMENTO AGROPECUARIO	10,303,195.17	644,582.00	233,965.33	9,658,613.17	2.42	73.37
T O T A L E S	82,224,789.37	37,921,337.84	963,558.73	44,303,451.53	2.17	97.52

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Delinquency in Phase III beneficiaries, in turn, is concentrated in the production of basic grains, mainly corn, large percent of which is produced for home consumption. BFA is the only bank granting loans to a significant number of Phase III beneficiaries.

In the case of Banco Capitalizador, delinquency appears to be the result of deficient supervision of outstanding loans after this bank stopped making new loans; it is in the process of liquidation.

The percent recovered of the cumulative amount due is a preferred measure of performance. Of the total amount of ₡371.1 million disbursed by banks, ₡241.6 million came due as of December 31, 1991, of which ₡237.6 was recovered, equivalent to a recuperation rate of 98.3% (see Table IX). Tables X and IX show that the percent of recuperation is 98.5% for production loans and 97.5% for investment loans. Again, the lowest rates of recuperation are reported for Banco de Fomento Agropecuario and Banco Capitalizador with 89.6% and 94.6%, respectively. Lowest rate of recuperation in BFA is again concentrated in Phase III beneficiaries with only 78.8% as shown below.

BFA Rate of Recuperation as of December 31, 1991

<u>Category</u>	<u>Phase I</u>	<u>Phase III</u>	<u>T o t a l</u>
Repaid (₡000)	12,585.5	7,440.2	20,025.7
Delinquent (₡000)	315.5	1,997.7	2,313.2
Percent Recuperation (%)	97.6	78.8	89.6

Historical Trends

Loan Numbers and Amounts

The cumulative trends in 0307 Project rediscounts over the life of the project are summarized in Table XII and Figure 1. At the end of the first quarter 1992, the project had rediscounted a cumulative total of ₡525.5 million (\$79.3 million). (Note: the dollar amounts are figured using the mean official exchange rate for each quarter.) Of this amount, ₡487.6 million (\$74.2 million) was granted to 241 different Phase I cooperatives. The difference of ₡37.9 million (\$5.04 million) was granted to Phase III beneficiaries.

The quarterly trend in lending is presented in Table XIII and Figure 1. The data show two cyclical trends in the amounts of

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(Value in Colones)

AÑO : 1987

QUARTER	I	II	III	IV
PHASE I COOPERATIVES				
NUMBER COOPS. WITH LOANS	9	46	61	71
NUMBER OF LOANS	10	65	88	115
AMOUNT GRANTED	4,010,207.00	39,629,284.20	45,361,410.00	52,967,334.46
AMOUNT DISBURSED	101,297.00	8,655,261.95	19,512,435.77	41,979,286.32
AMOUNT REPAID	.00	.00	15,250.00	2,317,438.32
OUTSTANDING BALANCE	101,297.00	8,655,261.95	19,297,185.77	39,661,847.30
DECREE 207 BENEFICIARIES				
NUMBER OF BENEFICIARIES	0	391	391	391
NUMBER OF LOANS	0	5	5	5
AMOUNT GRANTED	.00	1,845,298.00	1,845,298.00	1,845,298.00
AMOUNT DISBURSED	.00	1,068,150.00	1,092,600.00	1,092,600.00
AMOUNT REPAID	.00	.00	.00	.00
OUTSTANDING BALANCE	.00	1,068,150.00	1,092,600.00	1,092,600.00
TOTAL				
NUMBER OF LOANS	10	70	93	120
AMOUNT GRANTED	4,010,207.00	41,474,582.20	47,206,708.00	54,812,632.46
AMOUNT DISBURSED	101,297.00	9,723,411.95	20,405,035.77	43,071,886.32
AMOUNT REPAID	.00	.00	15,250.00	2,317,438.32
OUTSTANDING BALANCE	101,297.00	9,723,411.95	20,389,785.77	40,754,447.30

(Value in Colones)

AÑO : 1988

QUARTER	I	II	III	IV
PHASE I COOPERATIVES				
NUMBER COOPS. WITH LOANS	77	84	93	97
NUMBER OF LOANS	129	164	195	212
AMOUNT GRANTED	59,527,403.99	89,407,707.99	106,898,339.99	109,595,935.99
AMOUNT DISBURSED	46,838,868.31	59,458,806.45	79,308,397.41	96,203,212.45
AMOUNT REPAYED	11,356,296.21	31,206,220.12	31,800,693.62	33,034,513.65
OUTSTANDING BALANCE	35,482,572.60	28,252,586.33	47,507,703.79	63,168,698.80
DECREE 207 BENEFICIARIES				
NUMBER OF BENEFICIARIES	391	391	391	391
NUMBER OF LOANS	5	5	7	7
AMOUNT GRANTED	1,845,298.00	1,845,298.00	1,982,198.00	1,982,198.00
AMOUNT DISBURSED	1,092,600.00	1,092,600.00	1,195,275.00	1,229,500.00
AMOUNT REPAYED	7,894.38	1,092,600.00	1,092,500.00	1,092,600.00
OUTSTANDING BALANCE	1,084,705.62	.00	102,675.00	136,900.00
TOTAL				
NUMBER OF LOANS	134	169	202	219
AMOUNT GRANTED	61,372,701.99	91,253,005.99	108,880,537.99	111,578,133.99
AMOUNT DISBURSED	47,931,468.81	60,551,406.45	80,503,672.41	97,432,712.45
AMOUNT REPAYED	11,364,190.59	32,298,820.12	32,893,293.62	34,127,113.65
OUTSTANDING BALANCE	36,567,278.22	28,252,586.33	47,610,378.79	63,305,598.80

(Value in Colones)

ANO : 1989

QUARTER	I	II	III	IV
<u>PHASE I COOPERATIVES</u>				
NUMBER COOPS. WITH LOANS	96	99	111	112
NUMBER OF LOANS	217	269	331	348
AMOUNT GRANTED	112,740,053.99	143,983,315.99	181,148,043.67	184,820,045.67
AMOUNT DISBURSED	98,373,231.52	108,636,069.68	132,063,374.10	151,567,957.46
AMOUNT REPAID	33,812,017.64	65,680,864.56	67,451,631.61	68,706,656.98
OUTSTANDING BALANCE	64,561,213.88	42,955,205.12	64,611,742.49	82,861,200.43
<u>DECREE 207 BENEFICIARIES</u>				
NUMBER OF BENEFICIARIES	391	466	581	651
NUMBER OF LOANS	7	10	12	15
AMOUNT GRANTED	1,962,198.00	2,655,990.00	3,487,490.00	4,847,490.00
AMOUNT DISBURSED	1,229,500.00	1,833,917.00	1,911,948.25	2,961,348.25
AMOUNT REPAID	1,229,500.00	1,229,500.00	1,229,500.00	1,229,500.00
OUTSTANDING BALANCE	.00	604,417.00	682,448.25	1,731,848.25
<u>TOTAL</u>				
NUMBER OF LOANS	224	279	343	363
AMOUNT GRANTED	114,722,251.99	146,639,305.99	184,635,533.67	189,667,535.67
AMOUNT DISBURSED	99,602,731.52	110,469,986.68	133,975,322.35	154,529,205.71
AMOUNT REPAID	35,041,517.64	66,910,364.56	68,681,131.61	69,936,156.98
OUTSTANDING BALANCE	64,561,213.88	43,559,622.12	65,294,190.74	84,593,048.73

(Value in Colones)

AÑO : 1990

QUARTER	I	II	III	IV
<u>PHASE I COOPERATIVES</u>				
NUMBER COOPS. WITH LOANS	114	120	178	194
NUMBER OF LOANS	362	474	628	662
AMOUNT GRANTED	191,374,572.67	269,278,005.43	308,955,476.68	319,396,996.98
AMOUNT DISBURSED	170,217,640.60	187,165,422.44	211,468,827.40	269,140,254.89
AMOUNT REPAID	73,735,052.32	124,372,342.01	128,445,013.13	130,689,864.18
OUTSTANDING BALANCE	96,482,588.28	62,793,080.43	83,023,814.27	138,450,390.71
<u>DECREE 207 BENEFICIARIES</u>				
NUMBER OF BENEFICIARIES	651	651	3,661	3,661
NUMBER OF LOANS	16	16	2,670	2,670
AMOUNT GRANTED	4,981,890.00	4,981,890.00	19,032,897.50	20,727,897.50
AMOUNT DISBURSED	4,071,148.25	4,205,548.25	18,070,055.77	19,527,805.77
AMOUNT REPAID	1,281,531.25	3,542,281.25	3,542,281.25	3,542,281.25
OUTSTANDING BALANCE	2,789,617.00	663,267.00	14,527,774.52	15,985,524.52
<u>TOTAL</u>				
NUMBER OF LOANS	378	490	3,298	3,332
AMOUNT GRANTED	196,356,562.67	274,259,895.43	327,988,374.18	340,124,894.48
AMOUNT DISBURSED	174,288,788.85	191,370,970.69	229,538,883.17	288,668,060.66
AMOUNT REPAID	75,016,583.57	127,914,623.26	131,987,294.38	134,232,145.43
OUTSTANDING BALANCE	99,272,205.28	63,456,347.43	97,551,588.79	154,433,915.23

(Value in Colones)

AÑO : 1991

QUARTER	I	II	III	IV
PHASE I COOPERATIVES				
NUMBER COOPS. WITH LOANS	195	221	230	241
NUMBER OF LOANS	682	885	949	990
AMOUNT GRANTED	328,508,625.98	417,704,339.98	439,492,558.98	469,964,417.98
AMOUNT DISBURSED	283,328,041.55	295,609,582.01	339,152,324.49	378,577,940.29
AMOUNT REPAID	148,509,656.85	227,693,752.47	234,661,536.48	260,510,125.27
OUTSTANDING BALANCE	134,718,384.70	67,915,829.54	104,490,788.01	118,067,315.02
DECREE 207 BENEFICIARIES				
NUMBER OF BENEFICIARIES	3,679	5,109	6,159	6,159
NUMBER OF LOANS	2,671	3,740	3,846	3,847
AMOUNT GRANTED	20,780,897.50	35,640,812.50	36,181,012.50	36,205,412.50
AMOUNT DISBURSED	20,004,555.77	25,466,371.97	28,439,418.98	28,463,818.98
AMOUNT REPAID	3,745,581.25	19,380,638.75	19,380,638.75	19,380,638.75
OUTSTANDING BALANCE	16,258,974.52	6,085,733.22	9,056,780.23	9,083,180.23
TOTAL				
NUMBER OF LOANS	3,353	4,625	4,795	4,837
AMOUNT GRANTED	349,289,523.48	453,345,152.48	475,673,669.48	506,169,830.48
AMOUNT DISBURSED	303,332,597.32	321,075,953.98	367,591,743.47	407,041,759.27
AMOUNT REPAID	152,355,238.10	247,074,391.22	254,042,175.23	279,990,764.02
OUTSTANDING BALANCE	150,977,359.22	74,001,562.76	113,549,568.24	127,150,995.25

(Value in Colones)

AÑO : 1992

QUARTER

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PHASE : COOPERATIVES

NUMBER COOPS. WITH LOANS	241
NUMBER OF LOANS	1,167
AMOUNT GRANTED	487,616,523.38
AMOUNT DISBURSED	401,242,076.01
AMOUNT REPAID	267,517,734.91
OUTSTANDING BALANCE	133,724,321.40

DECREE 207 BENEFICIARIES

NUMBER OF BENEFICIARIES	7,206
NUMBER OF LOANS	4,894
AMOUNT GRANTED	37,985,297.49
AMOUNT DISBURSED	30,143,593.97
AMOUNT REPAID	19,397,438.75
OUTSTANDING BALANCE	10,746,255.22

TOTAL

NUMBER OF LOANS	6,061
AMOUNT GRANTED	525,501,810.87
AMOUNT DISBURSED	431,385,769.98
AMOUNT REPAID	286,915,193.66
OUTSTANDING BALANCE	144,470,576.32

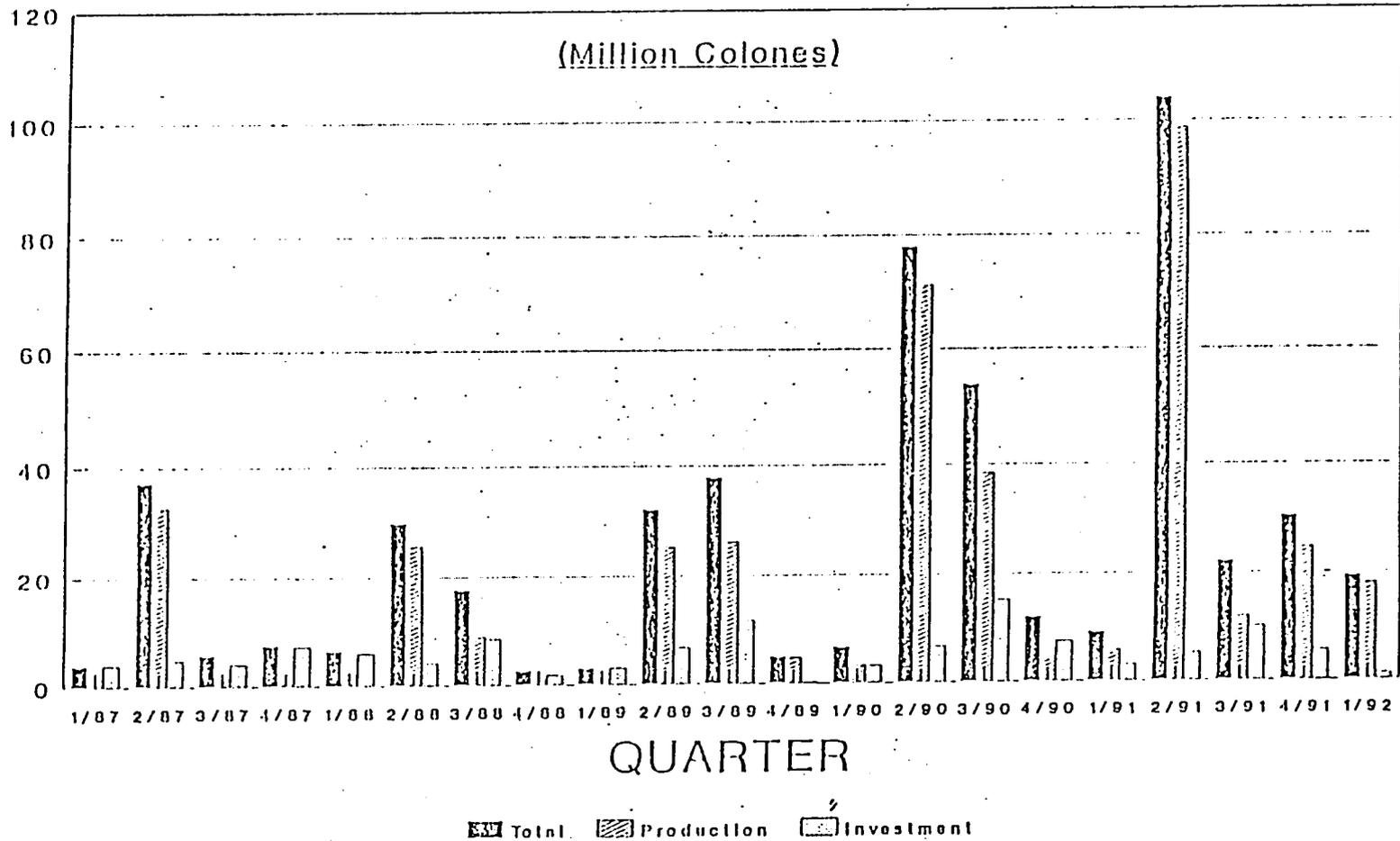
TABLE XIII. DISTRIBUTION OF CREDITS GRANTED AND DISBURSED
UNDER REDISCOUNT LINE AID 519-0307
BY PURPOSE AND QUARTER

QUARTER	AMOUNT GRANTED					AMOUNT DISBURSED				
	COLUMNS (1)			%		COLUMNS (4)			%	
	TOTAL	PRODUCTION	INVESTMENT	PRODUCT.	INV.	TOTAL	PRODUCTION	INVESTMENT	PRODUCT.	INV.
		0.00	4,010,207.00	0.0	100.0	101,297.00	0.00	101,297.00	0.0	100.0
JAN-MAR/87	4,010,207.00									
APR-JUN/87	37,464,375.20	32,710,320.20	4,754,055.00	87.3	12.7	9,622,114.95	6,090,201.45	2,731,913.50	71.6	28.4
JUL-SEP/87	5,732,125.00	1,598,800.00	4,133,325.00	27.9	72.1	10,681,623.02	6,522,947.44	4,150,676.30	61.1	38.9
OCT-DEC/87	7,605,924.46	400,000.00	7,205,924.46	5.3	94.7	22,666,050.55	17,475,611.14	5,191,239.41	77.1	22.9
JAN-MAR/88	6,560,069.53	608,100.00	5,951,969.53	9.3	90.7	4,859,502.49	945,968.57	3,913,613.92	19.5	80.
APR-JUN/88	29,880,304.00	25,655,836.00	4,224,468.00	85.9	14.1	12,619,937.64	6,693,552.52	5,926,385.12	53.0	47.0
JUL-SEP/88	17,627,532.00	8,985,234.00	8,642,298.00	51.0	49.0	19,952,265.96	12,075,098.25	7,877,167.71	60.5	39.5
OCT-DEC/88	2,697,596.00	787,453.00	1,910,143.00	29.2	70.8	16,929,040.04	13,690,702.56	3,238,337.48	80.9	19.1
JAN-MAR/89	3,144,118.00	0.00	3,144,118.00	0.0	100.0	2,170,019.07	71,156.16	2,098,862.91	3.3	96.7
APR-JUN/89	31,917,054.00	25,482,751.00	6,434,303.00	79.8	20.2	10,867,255.16	4,847,733.02	6,019,522.14	44.6	55.4
JUL-SEP/89	37,996,227.68	26,302,116.93	11,694,110.75	69.2	30.8	23,505,335.67	14,661,608.34	8,843,727.33	62.4	37.6
OCT-DEC/89	5,032,002.00	4,810,002.00	222,000.00	95.6	4.4	20,553,883.36	18,339,768.40	2,214,114.96	89.2	10.8
JAN-MAR/90	6,689,027.00	3,357,427.00	3,331,600.00	50.2	49.8	19,759,583.14	16,154,618.99	3,604,964.15	81.8	18.2
APR-JUN/90	77,903,332.76	71,193,305.26	6,710,027.50	91.4	8.6	17,082,181.84	13,041,489.29	4,040,692.55	76.3	23.7
JUL-SEP/90	53,728,478.75	38,541,753.00	15,186,725.75	71.7	28.3	38,167,912.42	33,454,542.64	4,713,369.78	87.7	12.3
OCT-DEC/90	12,136,520.30	4,609,222.30	7,527,298.00	38.0	62.0	59,129,177.48	48,004,896.96	11,124,280.52	81.2	18.
JAN-MAR/91	9,164,629.00	5,967,012.00	3,197,617.00	65.1	34.9	14,664,536.66	10,265,978.29	4,398,558.37	70.0	30.0
APR-JUN/91	104,055,629.00	98,666,624.00	5,389,005.00	94.8	5.2	17,743,356.66	15,706,550.89	2,036,805.77	88.5	11.5
JUL-SEP/91	22,328,517.00	12,074,935.00	10,253,582.00	54.1	45.9	46,515,789.49	35,050,376.68	11,465,412.81	75.4	24.6
OCT-DEC/91	30,496,161.00	24,814,501.00	5,681,660.00	81.4	18.6	23,450,015.80	32,926,737.73	6,523,278.07	81.5	16.5
JAN-MAR/92	19,331,988.39	18,017,898.39	1,314,082.00	93.2	6.8	24,344,010.71	22,342,391.75	2,001,618.96	91.8	8.2

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Figure 1

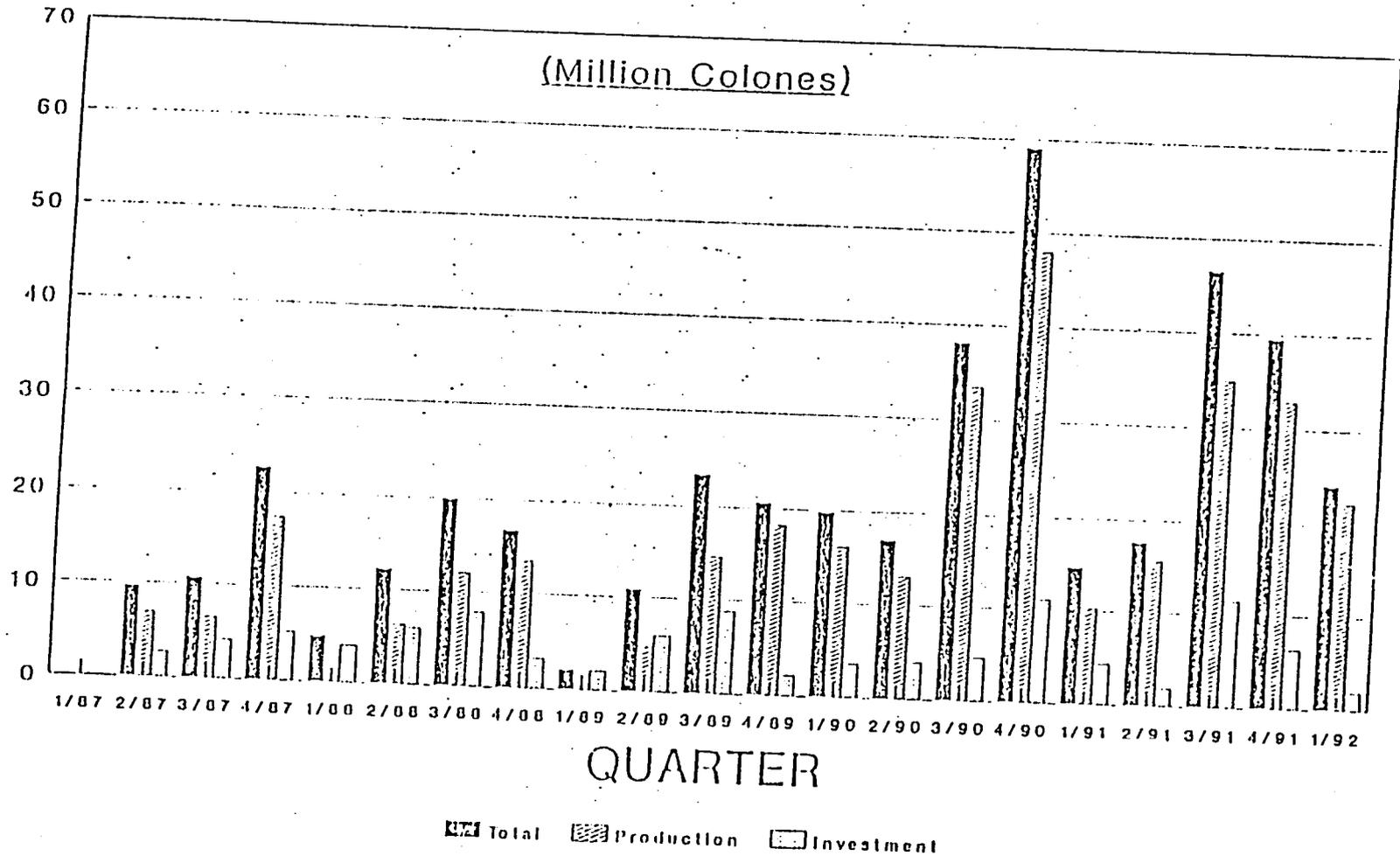
DISTRIBUTION OF LOANS GRANTED UNDER REDISCOUNT LINE AID 519-0307 FOR PRODUCTION AND INVESTMENT BY QUARTER



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Figure 2

DISTRIBUTION OF PRODUCTION AND INVESTMENT LOANS DISBURSED BY QUARTER UNDER REDISCOUNT LINE AID 519-0307



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(Value in Colones)

YEAR : 1987

QUARTER	I	II	III	IV
LOANS TO COOPERATIVES				
NUMBER OF LOANS	10	65	88	115
% PRODUCTION	.00	50.77	42.05	33.04
% INVESTMENT	100.00	49.23	57.95	66.96
AMOUNT GRANTED	4,010,207.00	39,629,284.20	45,361,410.00	52,967,334.46
% PRODUCTION	.00	77.38	71.57	62.05
% INVESTMENT	100.00	22.12	28.43	37.95
LOANS TO DECREE 207 BENEFICIARIES				
NUMBER OF LOANS	0	5	5	5
% PRODUCTION	.00	100.00	100.00	100.00
% INVESTMENT	.00	.00	.00	.00
AMOUNT GRANTED	.00	1,845,298.00	1,845,298.00	1,345,298.00
% PRODUCTION	.00	100.00	100.00	100.00
% INVESTMENT	.00	.00	.00	.00

(Value in Colones)

YEAR : 1988

QUARTER	I	II	III	IV
LOANS TO COOPERATIVES				
NUMBER OF LOANS	129	164	195	212
% PRODUCTION	31.78	42.07	42.05	41.04
% INVESTMENT	68.22	57.93	57.95	58.96
AMOUNT GRANTED	59,527,403.99	89,407,707.99	106,898,339.99	109,595,935.99
% PRODUCTION	56.23	66.13	63.59	62.74
% INVESTMENT	43.77	33.87	36.41	37.26
LOANS TO DECREE 207 BENEFICIARIES				
NUMBER OF LOANS	5	5	7	7
% PRODUCTION	100.00	100.00	100.00	100.00
% INVESTMENT	.00	.00	.00	.00
AMOUNT GRANTED	1,845,298.00	1,845,298.00	1,982,198.00	1,982,198.00
% PRODUCTION	100.00	100.00	100.00	100.00
% INVESTMENT	.00	.00	.00	.00

(Value in Colones)

YEAR : 1989

QUARTER	I	II	III	IV
LOANS TO COOPERATIVES				
NUMBER OF LOANS	217	269	331	348
% PRODUCTION	40.09	45.35	47.43	49.14
% INVESTMENT	59.91	54.65	52.57	50.86
AMOUNT GRANTED	112,740,053.99	143,983,315.99	181,148,043.67	184,820,045.67
% PRODUCTION	60.99	65.41	66.05	66.50
% INVESTMENT	39.01	34.59	33.95	33.40
LOANS TO DECREE 207 BENEFICIARIES				
NUMBER OF LOANS	7	10	12	15
% PRODUCTION	100.00	90.00	91.67	93.33
% INVESTMENT	.00	10.00	8.33	6.67
AMOUNT GRANTED	1,982,198.00	2,655,990.00	3,487,490.00	4,847,490.00
% PRODUCTION	100.00	77.24	82.67	87.53
% INVESTMENT	.00	22.76	17.33	12.47

(Value in Colones)

YEAR : 1990

QUARTER	I	II	III	IV
LOANS TO COOPERATIVES				
NUMBER OF LOANS	362	474	625	662
% PRODUCTION	49.45	56.96	59.71	55.16
% INVESTMENT	50.55	43.04	40.29	41.84
AMOUNT GRANTED	191,374,672.67	269,278,005.43	308,955,476.68	319,396,996.98
% PRODUCTION	66.08	73.40	71.90	70.46
% INVESTMENT	33.92	26.60	28.10	29.54
LOANS TO DECREE 207 BENEFICIARIES				
NUMBER OF LOANS	16	16	2,570	2,670
% PRODUCTION	87.50	87.50	99.93	99.93
% INVESTMENT	12.50	12.50	.07	.07
AMOUNT GRANTED	4,981,890.00	4,981,890.00	19,032,897.50	20,727,897.50
% PRODUCTION	85.17	85.17	96.12	96.44
% INVESTMENT	14.83	14.83	3.88	3.56

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TABLE XIV. DISTRIBUTION OF CUMULATIVE REDISCOUNTS
 FOR ANNUAL PRODUCTION AND INVESTMENT PURPOSES
 BY SALVADORAN CENTRAL RESERVE BANK
 UNDER REDISCOUNT LINE AID 519-0307 AT END OF QUARTER

(Value in Colones)

YEAR : 1991

QUARTER	I	II	III	IV
LOANS TO COOPERATIVES				
NUMBER OF LOANS	682	885	949	990
% PRODUCTION	57.92	66.10	64.28	63.94
% INVESTMENT	42.08	33.90	35.72	36.06
AMOUNT GRANTED	328,508,625.98	417,704,339.98	439,492,656.98	469,964,417.98
% PRODUCTION	70.32	75.46	74.46	74.92
% INVESTMENT	29.68	24.54	25.54	25.08
LOANS TO DECREE 207 BENEFICIARIES				
NUMBER OF LOANS	2,671	3,740	3,846	3,847
% PRODUCTION	99.89	99.84	99.79	99.77
% INVESTMENT	.11	.16	.21	.23
AMOUNT GRANTED	20,780,897.50	35,640,812.50	36,181,012.50	36,205,412.50
% PRODUCTION	96.19	96.77	95.32	95.26
% INVESTMENT	3.81	3.23	4.68	4.74

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(Value in Colones)

YEAR : 1992

 QUARTER I

 LOANS TO COOPERATIVES

NUMBER OF LOANS	1,167
% PRODUCTION	69.15
% INVESTMENT	30.85
AMOUNT GRANTED	487,516,523.38
% PRODUCTION	75.55
% INVESTMENT	24.45

 LOANS TO DECREE 207 BENEFICIARIES

NUMBER OF LOANS	4,394
% PRODUCTION	99.82
% INVESTMENT	.18
AMOUNT GRANTED	37,885,287.49
% PRODUCTION	95.47
% INVESTMENT	4.53

loans contracted per quarter, one for production loans and the other for investment loans. In the second quarter of each year the amount of annual production credit rises sharply because this is the period when most coffee production loans are made. Some of this activity is carried into the third quarter. The first and fourth quarters have the least activity each year, because these are quarters during which there is less lending for annual production purposes. The dominance of coffee in loans granted for investment purposes also causes a quarterly cycle in contracted investment loans. Investment loans granted rise sharply during the third quarter, often rising two to three times the level during the previous quarter.

Participation of Women

In the case of cooperatives, the number and volume of credit made available to women under the line is difficult to assess since loans are not made to individuals, but to cooperatives. Of course, the membership of these cooperatives consists of both men and women. In the case of individually-operated holdings, loans are granted to men and women without any discrimination. Out of a total 31,609 recipients of credit in the reform sector, 3,596 or 11% were women.

Disbursements and Repayments

At the end of the first quarter 1992, as shown in Table XII, the cumulative disbursements totaled C431.4 million (\$64.2 million). Repayments were C286.9 million (\$40.3 million) leaving an outstanding balance of C144.5 million (\$23.9 million) at the end of the quarter.

The quarterly data in Table XIII and Figure 2 are useful in understanding the trends in disbursements. Again, the two cyclical trends are evident, although less so for investment loans. The peak months for production loans occur in the second quarter, while that for investment credits occurs in the third quarter. In both cases, the peaks in disbursements follow the peaks in credits granted.

With respect to repayment, there is also a cyclical trend. The peak months are in March through April when the previous year annual crop loans come due. For instance, in the third and fourth quarter of 1990 repayments were low -only C4.6 million and C2.2 million, respectively -whereas, they rose to C18.1 and C74.0 million during the first and second quarter, respectively, of 1991.

Distribution of Rediscounts by Term and Purpose

Table XIV presents the cumulative distribution of loans disaggregated by production (short-term) and investment

(intermediate and long-term) purpose. At the end of the first quarter 1992 only nine of the 4,894 loans to Decree 207 beneficiaries were for investment. Among the Phase I cooperatives, 30.9% of the 1,167 loans and 24.5% of the amount granted of loans were for investment. The larger percentage for loan numbers relative to the percentage for amounts granted, demonstrates that many of the investment loans are relatively small compared to the annual production loans.

The quarterly data of Table XIV and Figure 1 show that annual production credit continues to dominate lending.

Table XV presents the cumulative distribution of investment lending by purpose. Nearly one-fourth (27.4%) of the rediscounts have been to finance machinery and equipment; crop plantations have received one-half (49.2%), mainly for establishing new or renovating old coffee plantations (48.2%). Another 11.7% of the investment credits has gone to livestock activities, mostly dual-purpose cattle; some 9.4% to finance agroindustry coffee processing mills, and another 2.8% was directed to infrastructure.

As shown in Table XVI, 37.7% of number of loans and 77.8% of volume of annual production loans made to the Phase I cooperatives were for coffee. As shown in Table XVIII, 64.0% of number of loans and 43.3% of volume of annual production loans made to Decree 207 beneficiaries were for corn. Although only .2% of number of loans were for coffee, the five loans accounted for 23.7% of the volume of annual production loans.

Distribution Across Participating Banks

Table XVII presents the cumulative distribution of loans to Phase I cooperatives and Decree 207 beneficiaries across banks. Two banks, the BFA with \$107.9 million and Banco Salvadoreño with \$100.3 million, dominate lending, together accounting for about 39.6% of the total cumulative amount lent. Among cooperatives, the Banco Salvadoreño dominated lending with 19.6% of the loan volume contracted to cooperatives, whereas the BFA dominated lending with 38.5% of the total numbers of loans contracted to cooperatives. The next most active banks are the Banco Cuscatlan, Banco Hipotecario and Agrícola Comercial which accounted for 15.6%, 14.3% and 12.6%, respectively, of the total cooperative portfolio. Three banks had very low levels of participation.

Lending to Decree 207 beneficiaries is dominated by the BFA, accounting for 81.9% of the loan volume, followed by Banco Salvadoreño with 12.1% and Crédito Popular with 4.6%. BFA also accounted for 99.6% of the total number of loans.

TABLE XV. PURPOSE OF REDISCOUNTED INVESTMENT LOANS MADE TO PHASE I COOPERATIVES
 UNDER REDISCOUNT LINES AID 519-0307
 CUMULATIVE AS OF MARCH 31, 1992

(Value in Millions Colones)

PURPOSE	REDISCOUNTS (c Millions)	PERCENT OF TOTAL
MACHINERY AND EQUIPMENT	32.7	27.4
Purchase of new machinery and repair of existing machinery		
INFRASTRUCTURE	3.3	2.8
LIVESTOCK	14.0	11.7
Dairy	2.9	
Beef	0.9	
Dual purpose (dairy/beef)	8.7	
Swine	0.2	
Poultry	1.2	
Bees	0.1	
CROPS	57.9	48.6
New coffee plantations	20.7	
Renovation of coffee plantations	27.5	
Citrus	1.1	
Bananas	3.1	
Cardamomo	0.5	
Henequen	2.4	
Cashue	1.5	
Coconut	1.1	
AGROINDUSTRY	11.2	9.4
Coffee processing	10.4	
Feed Plant	0.8	
TOTAL	119.1	100.0

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CUMULATIVE AS OF 03/31/91

(Value in Colones)

PURPOSE	NUMBER OF LOANS		GRANTED		DISBURSED		REPAID		OUTSTANDING	
	No.	%	€	%	€	%	€	%	€	%
COFFEE	303	37.7	286,528,711.78	77.8	235,608,640.30	78.4	200,727,199.18	86.6	34,881,441.12	50.6
HENEQUEN	7	0.9	3,780,329.00	1.0	1,872,350.82	0.6	1,872,350.82	0.8	0.00	0.0
KENAF	3	0.4	1,635,805.00	0.4	1,147,006.31	0.4	1,147,006.31	0.5	0.00	0.0
OKRA	19	2.4	3,559,653.80	1.0	2,702,647.28	0.9	2,702,647.28	1.2	0.00	0.0
WATERMELON	5	0.6	532,610.00	0.1	362,795.62	0.1	362,795.62	0.2	0.00	0.0
SESAME	51	6.4	4,377,731.81	1.2	3,092,941.14	1.0	2,837,709.22	1.2	255,231.92	0.4
PEANUTS	11	1.4	542,400.00	0.1	492,190.48	0.2	492,190.48	0.2	0.00	0.0
US	1	0.1	9,880.00	0.0	9,880.00	0.0	9,880.00	0.0	0.00	0.0
BEEF FATTENING	46	5.7	9,180,664.69	2.5	8,837,297.53	2.9	4,557,875.17	2.0	4,279,422.36	6.3
MANGO	1	0.1	6,884.00	0.0	4,719.00	0.0	4,719.00	0.0	0.00	0.0
COCCHUT	8	1.0	741,166.00	0.2	424,562.86	0.1	424,562.86	0.2	0.00	0.0
WORKING CAPITAL	10	1.2	1,744,016.97	0.5	2,630,501.47	0.9	1,634,847.47	0.7	995,654.00	1.4
MACHINERY AND EQUIPMENT	16	2.0	3,158,649.13	0.9	2,928,143.13	1.0	2,628,143.13	1.1	300,000.00	0.4
VIGHA	19	2.4	1,889,742.08	0.5	1,198,046.21	0.4	1,198,046.20	0.5	0.01	0.0
PLANTAIN	6	0.7	2,099,928.47	0.6	1,477,636.31	0.5	1,001,447.89	0.4	476,188.42	0.7
SOYBEANS	11	1.4	1,576,406.65	0.4	870,863.67	0.3	870,863.67	0.4	0.00	0.0
MELON	10	1.2	4,201,676.00	1.1	2,966,278.22	1.0	2,966,278.22	1.3	0.00	0.0
CCRN, CONSUMPTION	144	17.9	14,652,503.99	4.0	10,021,789.78	3.3	1,669,372.97	0.7	8,352,416.81	12.1
CCRN SEED	7	0.9	2,804,330.00	0.8	2,743,455.41	0.9	1,425,550.00	0.6	1,317,905.41	1.9
CAJUM	39	4.9	4,598,015.26	1.2	3,641,376.33	1.2	717,471.84	0.3	2,923,904.49	4.3
PROPERTY IMPROVEMENTS	2	0.2	50,000.00	0.0	25,000.00	0.0	25,000.00	0.0	0.00	0.0
COCOA	2	0.2	757,000.00	0.2	432,658.56	0.1	288,167.65	0.1	144,490.91	0.2
VEGETABLES (TCHATOE)	3	0.4	100,138.00	0.0	0.00	0.0	0.00	0.0	0.00	0.0
PEPINO	1	0.1	18,375.51	0.0	18,375.51	0.0	18,375.51	0.0	0.00	0.0
BEEHAVE	1	0.1	17,398.54	0.0	17,398.54	0.0	17,398.54	0.0	0.00	0.0
RICE	48	6.0	7,891,152.09	2.1	5,739,805.94	1.9	446,254.17	0.2	5,293,551.77	7.7
BEANS	20	2.5	896,924.90	0.2	618,242.34	0.2	120,156.79	0.1	498,085.55	0.7
COTTON	8	1.0	8,562,241.32	2.3	9,248,209.83	3.1	0.00	0.0	9,248,209.83	13.1
COFFEE PROCESSING	1	0.1	2,500,000.00	0.7	1,495,046.62	0.5	1,495,046.62	0.6	0.00	0.0
TOTAL	803	100.0	368,414,335.59	100.0	300,627,859.21	100.0	231,661,356.61	100.0	68,966,502.60	100.0

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(Value in Colones)

BANK	NUMBER OF COOPERATIVES WITH LOANS		NUMBER OF LOANS WITH COOPERATIVES		AMOUNT OF LOANS GRANTED WITH COOPERATIVES		NUMBER OF LOANS TO DECREE 207 BENEFICIARIES		AMOUNT OF LOANS TO DECREE 207 BENEFICIARIES	
	No.	%	No.	%	(c)	%	No.	%	(c)	%
AGRICOLA COMERCIAL DE E. S.	17	8.4	94	8.1	61,640,328.30	12.6	0	.0	.00	.0
CAPITALIZADOR	13	6.4	100	8.6	31,394,306.76	6.4	1	0.0	32,300.00	.1
DE COMERCIO DE EL SALVADOR	14	6.9	60	5.1	27,106,655.00	5.6	2	0.0	186,500.00	.5
DE CREDITO POPULAR, S. A.	8	3.9	23	2.0	12,058,980.00	2.5	3	0.1	1,747,498.00	4.6
CUSCATLAN S. A.	23	11.3	104	8.9	76,046,806.00	15.6	0	.0	.00	.0
HIPOTECARIO DE EL SALVADOR	25	12.3	114	9.8	69,715,623.66	14.3	0	.0	.00	.0
SALVADOREÑO	16	7.9	109	9.3	95,718,503.96	19.6	7	0.1	4,593,017.00	12.1
MERCANTIL	10	4.9	39	3.3	12,727,365.30	2.6	4	0.1	234,700.00	.6
DE DESARROLLO E INVERSION	14	6.9	78	6.7	24,252,551.00	5.0	2	0.0	69,375.00	.2
DE FOMENTO AGROPECUARIO	63	31.0	446	38.2	76,954,902.90	15.8	4,875	99.6	31,021,897.49	81.9
TOTALES	203	100.0	1,167	100.0	487,616,523.35	100.0	4,894	100.0	37,885,287.49	100.0

TABLE XVIII. PURPOSE OF PRODUCTION LOANS GRANTED TO DECREE 207
 BENEFICIARIES, UNDER REDISCOUNT LINE AID 519-03

CUMULATIVE AS OF 03/31/92

(Value in Colones)

PURPOSE	NUMBER OF LOANS	GRANTED		DISBURSED		REPAID		OUTSTANDING	
		€	%	€	%	€	%	€	%
COFFEE	9	8,570,628.30	23.7	1,705,786.51	6.0	26,000.00	0.1	1,679,786.51	18.0
RICE	293	2,552,724.83	7.1	2,552,724.83	8.9	1,701,990.00	8.9	850,734.83	9.1
BEANS	619	2,596,591.45	7.2	2,488,191.45	8.7	1,672,630.00	8.7	915,561.45	9.7
BEEF FATTENING	1	994,800.00	2.8	994,800.00	3.5	994,800.00	5.2	0.00	0.0
MELON	5	3,854,200.00	10.7	3,854,200.00	13.5	3,854,200.00	20.1	0.00	0.0
CORN SEED	1	70,100.00	0.2	70,100.00	0.2	70,100.00	0.4	0.00	0.0
SORGHUM	833	1,858,501.91	5.1	1,858,501.91	6.5	1,434,830.00	7.5	423,671.91	4.5
CORN, CONSUMPTION	3124	15,671,409.00	43.3	15,009,767.21	52.6	9,458,188.71	49.2	5,551,578.50	59.6
TOTAL	4,885	36,168,955.49	100.0	28,534,071.91	100.0	19,212,738.71	100.0	9,321,333.20	100.0

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Summary

Conclusions and Recommendations

It is too early to judge the project's performance in terms of meeting its objectives. The year appears to have started well since the amount of contracted loans is the highest of any first quarter during the life of the project. This performance reflects the general upward trend in the numbers and volumes of loans financed with the 0307 Project rediscount line. Nonetheless, the privatization of the banking system which is scheduled to be completed by 1993 continues to have a disruptive effect. Banks are reluctant to increase their exposure by lending to the agrarian reform sector.

Lending during this year also followed the regular cyclical trend. Generally, the second quarter and third quarters have the largest activity due to heavy lending for coffee production, with activity falling during the fourth and first quarters. The first quarter activity reflected this, with the volume and amount of loans contracted falling below that experienced in the second and third quarters of 1991. Nonetheless, production loans rose above the second quarter 1991 total.

Production loans accounted for 99.8% of the loan number and 93.3% of the loan volume. Nearly 90.7% of this loan volume was for coffee and cotton, while over 90.5% of investment lending was mostly for machinery and equipment.

At the end of the first quarter 1992, 136 Phase I cooperatives had received 570 loans, and 2,034 groups, communities or cooperatives of Decree 207 beneficiaries had been granted credit. The cumulative total of loans granted was \$525.5 million (\$79.3 million).

The delinquency record for the 0307 financed loans is good. Of the amount due, only 3.0% was delinquent. The delinquency rate was slightly higher for investment loans in comparison to those for production, 3.4% percent versus 2.1%. This demonstrates the general soundness of the lending under the 0307 Project.

Short-term production loans, almost entirely for coffee, have dominated lending. On a cumulative basis, for Phase I cooperatives only 30.9% of the total volume of loans and 24.5% of the loan numbers were made for investment. Over time investment loans have tended to slightly increase their relative importance in the 0307 portfolio. All but nine of the loans made to Decree 207 beneficiaries were for purposes of annual crop production.

Among cooperatives, the Banco Salvadoreño has dominated lending with 19.6% of the cumulative loan volume contracted, while the BFA dominated lending with 28.5% of the total cumulative number

of loans contracted. As expected, since becoming eligible to use project funds in the third quarter of 1990, the BFA has quickly become a dominant bank. BFA lending is concentrated among Decree 207 Beneficiaries, while commercial bank lending is concentrated among cooperatives.

Despite steady progress, project lending for investment loans has been continually hampered by several major problems. These include: (a) the lack of credit worthiness of many cooperatives and Decree 207 beneficiaries; (b) the banks' reluctance to lend for sound projects because the cooperatives lack collateral and/or have too much outstanding debt; (c) the lack of adequate means to work with the cooperatives to identify and formulate good projects; (d) the fact that most investment projects financed to date are relatively small-sized; (e) the ongoing privatization of the banking system, which is expected to continue through 1993; and (f) the rules governing the operation of the Loan Guarantee Fund, which leaves banks with a considerable exposure.

Among these problems are those associated with the slow pace of decision making among the various governmental entities involved. This is a source of serious concern it slow.

VII. EXECUTIVE SUMMARY AND RECOMMENDATIONS

The main thrust of ASU's activity in first quarter has been devoted to assisting UTFRA plan, design, and negotiate the various components of its budget, action plan and training program. Unfortunately, the implementation of UTFRA's program has been delayed, possibly up to four months, due to a series of largely procedural problems.

The first problem, which remains to be resolved, was created by the BCR's request to use UTFRA personnel and Project funds to support ISTA's implementation of the Nueva Opciones program. Since this use of 0307 rediscount funds is not authorized under the terms of the project's contract, USAID denied the request. Furthermore, USAID requested additional information on UTFRA's organization, since BCR's decision to use UTFRA personnel in support of ISTA's program implied that they were no longer necessary to implement UTFRA's program. A response to USAID's request was sent in late April.

A second problem that has delayed implementation of UTFRA's program has been the uncertainty created by the BCR's decision to function primarily as a rediscount facility or "banco de segundo piso". This means that the Central Bank wants to interact only with banks and have no direct dealings with private individuals or nonbank entities such as the cooperatives. This reorganization, which is expected to be completed by June of this year, has implications for the four UTFRA supervisors whose responsibilities

require that they interact directly with reform sector cooperatives. The impact of this reorganization on UTFRA has not yet been resolved.

Another disruptive problem affecting the flow of activity within UTFRA during the first quarter was the uncertainty surrounding the unit's move to the new BCR building. A new date for the move was established weekly. Moreover, it was never clear where UTFRA personal would be located since the selected site on the first floor was too small. This is a source of concern since locating UTFRA personal in alternative sites would impact on the effectiveness of the unit.

During this quarter, the Credit Advisor worked closely with GOES and BFA officials to develop a fiduciary agreement between the GOES and the BFA. In its role as a fiduciary, the BFA will administer funds to be used to provide credit to farmers and small enterprises in the 106 municipalities falling within the National Reconstruction Plan. The document was elaborated principally by the Credit Advisor.

The University also played the same key role during this quarter, as it did throughout 1991, of providing stability and continuity to the project during a period of uncertainty. The high degree of uncertainty that naturally surrounds a planning and reorganization period has been intensified by the administrative problems that are pending. The University's presence has contributed to the stability of the project and has ensured that many of the project activities continued to be implemented.

The University also worked closely with the UTFRA in programs to increase the use of the rediscount line. Especially important were the following activities: (a) working with the BFA; (b) working with the Banco Cuscatlan to promote the use of the Loan Guarantee Fund; and (c) implementing special projects to increase the use of 0307 credit. The following section briefly summarizes these activities as well as the progress made for the 0307 Project during the fourth quarter. The section begins with a brief review of project management activities. This is followed by sub-sections corresponding to the major components of project activity: promoting the use of and monitoring the rediscount line and training and technical assistance. These are followed by a summary of the performance of the 0307 rediscount line.

ASU's Activities in the First Quarter

Project Management

1. During the quarter, ASU had two resident staff working in El Salvador and two personnel in the United States, including the project director (Dr. Méndez).

2. ASU continued to play a proactive role in providing assistance and guidance to the BCR and the UTFRA in matters of planning, initiating activities, and management.

Promoting the Use of and Monitoring the Rediscount Line

During the quarter, this was a major activity for the University. ASU worked closely with the UTFRA to:

1. Promote activities consisting of developing or implementing projects to expand the use of 0307 Project credit. These include:
 - a. Implementing the coffee renovation investment project.
 - b. Implementing the project for purchasing machinery and equipment.
 - c. Implementing the project for production of non-traditional crops.
 - d. Working with the BFA to ensure that it remains eligible to rediscount under the Project. This included making preliminary contact with an outside consultant to assist the BFA in fulfilling the conditions agreed to under the USAID-GOES Agreement.
 - e. Working with Banco Cuscatlan to encourage use of the Loan Guarantee Fund.

Training and Technical Assistance

ASU continued to advise UTFRA on the design of the training and technical assistance program. Although funding for the program has not been approved, the University began to lay the groundwork required to implement several elements contained in the plan, such as contacting a local consulting firm to determine its interest in administering the Project.

1. A first goal of the training and technical assistance program is to provide administrative and entrepreneurial expertise to small farmers formed under ISTA's Nueva Opciones program and the Land Bank.
2. A second goal is to use local consulting firms to assist reformed-sector borrowers and small producers in specific investment projects. A part of this will include addressing the deficiencies of those reform sector cooperatives that have the best possibility for success.

3. The second goal is to increase the capacity of credit agents to assist small farmers and reform sector producers.

Research, Policy Studies and Seminars

ASU assumes the principal responsibility for carrying out the research program in accordance with the overall plan developed by the University and the BCR. No activities were planned for this quarter.

ASU's Plans for the Second Quarter 1992

The main thrust of ASU's assistance and advice to the UTFRA in the second quarter will consist of working with the Unit to implement the new project strategy. In addition, the University plans to work closely with UTFRA to develop the unit's 1992 work plan consistent with the new project strategy. The new strategy will be designed to facilitate the flow of credit, technical assistance and training to the new small producers receiving land under the Nueva Opciones program and the new Land Bank, as well as to the agrarian reform sector.

These activities will be carried out in addition to the following.

Promoting the Use of and Monitoring the Rediscount Line

1. Work towards meeting the annual target for use of 0307 rediscounts set for 1992 at Q222.4 million, of which Q198.5 million is target for production credits and Q23.9 million for investment credits.
2. Promote the use of 0307 rediscounts to finance the production of traditional and non-traditional exports. Specific emphasis will be placed on implementing the financing of current special projects for:
 - a. Renovation of coffee plantations.
 - b. Non-traditional exports.
 - c. Agricultural equipment and machinery.
3. Promote the use of the Loan Guarantee Fund for investment projects.
4. Monitor and produce reports on the status of the reform sector's entire portfolio.
5. Continue to work with the BFA to ensure its progress in meeting its obligations under USAID-GOES agreement and

contract with an outside consultant to assist the BFA in meeting these obligations.

6. Assist the UTFRA's monitoring of borrower delinquency and help the banks undertake remedial measures to prevent non-performing loans.

Training and Technical Assistance

This activity will take on added importance in the new strategy. However, the plan for 1992 has not been funded.

Analysis of Performance of 0307 Rediscount Line

The University provides a quarterly analysis of the rediscount line activities for the quarter as well as over the life of the Project.

Summary of First Quarter 1992 Activity

1. 1220 loans for ₡19.3 million (\$2.4 million).
2. 1,217 loans for annual production purposes for ₡18.0 million (\$2.3 million).
3. 3 loans for investment purposes for ₡1.3 million (\$.2 million).
4. The BFA dominated lending accounting for ₡13.3 million or 68.9% of total loan volume and 1,207 loans or 98.9% of total number of loans.
5. Disbursements were ₡18.5 million (\$2.3 million). Total disbursement (including loans granted in previous quarters) totaled ₡24.3 million (\$4.9 million).
6. There were no repayments made on the new loans during the quarter. Total repayments were ₡7.1 million (\$.9 million).
7. Portfolio, as of March 31 was 570 loans to 136 Phase I cooperatives with an outstanding balance of ₡133.7 million (\$16.8 million) and 2,034 loans to Decree 207 beneficiaries with an outstanding balance of ₡10.7 million (\$1.3 million).
8. Results of 1992 annual goals.
 - a. 9.1% of annual production goal achieved.
 - b. 5.4% of annual investment goal achieved.

9. Results over previous year.

The amount contracted rose 112%, from ₡9.1 million in first quarter 1991 to ₡19.3 million in first quarter 1992.

Summary of Historical Trends and Patterns through September 1991

All data are reported on a cumulative basis over the life of the project.

Loans, Disbursements, Repayments.

1. 6,061 loans made in amount of ₡525.5 million (\$79.3 million).
 - a. 1167 loans for 241 Phase I cooperatives for ₡487.0 million (\$74.2 million).
 - b. 4894 loans to Decree 207 beneficiaries for ₡37.9 million (\$5.04 million).
2. Disbursements were ₡431.4 million (\$64.2 million).
3. Repayments were ₡286.9 million (\$40.3 million).
4. Outstanding balance is ₡144.5 million (\$23.9 million).

Participation of Women

Out of a total of 31,609 recipients of credit in the reform sector, 3,596 or 11% were women.

Bank Participation.

1. Two banks, BFA and Banco Salvadoreño, dominate lending, accounting for about 39.6% of the total cumulative amount lent.
2. Among cooperatives, the Banco Salvadoreño dominates lending accounting for 19.6% of the loan volume to that group.
3. Among 207 Beneficiaries, the BFA dominates, accounting for 81.9% of the loan volume to that group.

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Loan Term and Purpose.

1. Phase I cooperatives.
 - a. 30.9% of number of loans and 24.5% of volume are for investment.
 - b. For investment loans, 49.2% are for crops of which 48.2% is for coffee renovation, 27.4% for machinery and equipment, 11.3% for livestock (mostly dual-purpose cattle) and the other 12.3% for agroindustry and farm infrastructure.
 - c. For annual production loans 77.8% of volume were for coffee.
2. For Decree 207.
 1. Only 9 of the 4,885 loans were for investment.
 2. Production loans were mainly for basic grains: 43.3% of loan volume was for corn.

Delinquency Between Banks and Borrower.

1. Portfolio is in excellent shape. Total delinquency is only 3.0% of portfolio.
2. Loan recovery rate (based on what should have been repaid) is 98.3%: 98.5% for production loans and 97.5% for investment.

Conclusions

1. Lending activity fell (as expected) reflecting the cyclical trend in lending. Nonetheless, lending for production purposes rose over that in the second quarter 1991. Generally, lending is at its lowest during the first and fourth quarter.
2. The amount of loans contracted during the first quarter 1992 was the highest of any first quarter over the life of the Project.
3. Lending has followed an upward trend over time. The fact that lending is still lower than originally expected is that the original goals were set too high taking into account the difficulties in lending to a problematic clientele through conventional banks. Experience shows:

- a. A reluctance by the commercial banks to substantially increase lending to reformed sector because:
 - (1) Risky nature of clientele and lack of collateral.
 - (2) Limited debt carrying capacity of borrowers and large amount of existing debt, until recently.
 - (3) High costs of lending to Decree 207 beneficiaries.
 - (4) Ongoing privatization of the banking system.
 - (5) Loan Guarantee Fund may require changes.
 - b. Insufficient staff capacity and experience in the banks to follow up implementation of investment projects and non-traditional crops for export, exacerbated by the same panorama in the cooperatives.
4. In general, the 0307 loans have performed reasonably well. In contrast, to many reformed-sector loans, the level of delinquency for the Project is relatively low. However, greater delinquency may appear when more investment loans come due.

Recommendations

The University should continue to work closely with UTFRA during the first quarter of 1992 to design and begin to implement the new project strategy. The Project should also continue:

1. Efforts to expand the use of the 0307 rediscount line by:
 - a. Concentrating on the use of the specific directed credit activities developed by ASU and the UTFRA, such as the coffee rehabilitation and renovation project, non-traditional crops for export projects, and the purchase of machinery and equipment projects to develop more viable investment opportunities in the reformed sector.
 - b. Promoting the use of the Loan Guarantee Fund and making changes in its norms if necessary.
 - c. Continuing to assist the BFA to ensure that it remains eligible for 0307 Project rediscounts.

VIII. SUMMARY OF QUARTERLY ACTIVITIES
AND PROJECTIONS FOR NEXT QUARTER

Table XIX presents the summary data requested by USAID showing the goals for the second quarter, the accomplishments and the projections for next quarter.

TABLE XIX. INDICADORES DE RESULTADOS BAJO LA LINEA 519-0307
PRIMER TRIMESTRE 1992 Y PROYECTADO SEGUNDO TRIMESTRE DE 1992
CONSOLIDADO

INDICADORES	Programado Trimestre (1)	Realizado (2)	Realizado Acumulado (3)	Programado Proximo Trimestre (4)
1. LINEA DE REDESCUENTO				
a. CREDITOS DE INVERSION FASE I Y III				
Coop. Fase I (#)	2	3	171	14
Numero de Creditos	2	3	360	21
Monto contratado (US\$ 000)	56.09	164.26	19,337.98	709.60
Monto Desembolsado (US\$ 000)	556.49	250.20	16,314.58	450.00
Beneficiarios fase III (#)	0	0	1,176	50
Numero de Creditos	0	0	9	5
Monto contratado (US\$ 000)	0.00	0.00	262.18	56.00
Monto Desembolsado (US\$ 000)	0.00	0.00	246.14	56.00
b. CREDITO DE AVIO FASE I Y III				
Cooperativas Fase I (#)	4	16	197	105
Numero de Creditos	4	170	807	172
Monto Contratado (US\$ 000)	372.24	2,042.25	54,932.71	14,250.84
Monto Desembolsado (US\$ 000)	1,900.00	2,582.91	43,981.18	5,500.00
Beneficiarios Fase III (#)	0	1,047	6,030	190
Numero de Creditos	0	1,047	4,885	19
Monto Contratado (US\$ 000)	0.00	209.98	4,760.74	446.30
Monto Desembolsado (US\$000)	0.00	209.98	3,693.42	150.00
c. TOTAL FASE I Y III				
Cooperativas Fase I (#)	6	19	241	119
Numero de Creditos	6	173	1,167	193
Monto Contratado (US\$ 000)	428.33	2,206.51	74,270.69	14,960.44
Monto Desembolsado (US\$ 000)	2,456.49	2,833.01	60,295.76	5,950.00
Beneficiarios Fase III (#)	0	1,047	7,206	240
Numero de Creditos	0	1,047	4,894	24
Monto Contratado (US\$ 000)	0.00	209.98	5,022.92	502.30
Monto Desembolsado (US\$ 000)	0.00	209.98	3,939.56	206.00
d. Gran Total				
Numero de Creditos	6	1,220	6,061	217
Monto contratado (US\$ 000)	428.33	2,416.49	79,293.61	15,462.74
Monto Desembolsado (US\$ 000)	2,456.49	3,042.99	64,235.32	6,156.00
2. Valor de la Produccion (US\$ 000)				
a. Inversion				
		3,064.00	7,880.20	
Exportacion no Tradicional		0.85	14.45	
Exportacion Tradicional		993.94	2,177.34	
Sustitucion de Importaciones		1,037.43	2,762.03	
Consumo		1,031.78	2,926.38	
b. Avio				
		20,826.71	56,792.41	
Exportacion no Tradicional		1,597.17	4,386.87	
Exportacion Tradicional		4,173.74	37,208.04	
Sustitucion de Importaciones		304.27	364.97	
Consumo		14,751.53	14,832.53	
c. Total				
		23,890.71	64,572.61	
Exportacion no Tradicional		1,598.02	4,401.42	
Exportacion Tradicional		5,167.68	39,385.25	
Sustitucion de Importaciones		1,341.70	3,127.00	
Consumo		15,783.31	17,758.91	

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Empleo Generado

(miles Homores / Dias)

a. Inversion	1,371.51	2,760.31
Exportacion no Tradicional	1.68	5.68
Exportacion Tradicional	482.95	830.25
Sustitucion de Importaciones	489.29	998.59
Consumo	397.59	925.79
b. Avio	3,945.91	9,773.31
Exportacion no Tradicional	335.66	803.96
Exportacion Tradicional	896.44	6,231.44
Sustitucion de Importaciones	42.96	55.56
Consumo	2,670.85	2,684.35
c. total	5,317.42	12,533.62
Exportacion no Tradicional	320.37	801.99
Exportacion Tradicional	1,262.93	7,250.91
Sustitucion de Importaciones	343.42	606.66
Consumo	3,390.70	3,874.06

4. Adiestramiento

Cursos corto plazo			72	0
-Numero	0	0	1,450	0
-Participantes	0	0		
En el Exterior			12	0
-Numero	0	0	99	0
-Participantes	0	0		
Charlas y Seminarios			128	37
-Numero	0	0	6,564	3,522
-Participantes	0	0		
Programa de Maestria			12	0
-Numero Participantes	0	0		

5. Estudios de Politica Crediticia

Numero de Estudios	0	0	7	0
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Notas :

- 1) El numero de cooperativas acumulado (columna 3) es el numero neto de cooperativas ; no asi el numer cooperativas citado en las columnas (1) , (2) y (4) .
- 2) Todas las cantidades en Dolares en las columnas (1) , (2) y (4) , estan calculadas al tipo de ca 8.05 = 1.00 US\$.
- 3) Los montos desembolsados incluyen los correspondientes a creditos contratados en el trimestre y en periodos anteriores .
- 4) El valor de la produccion y Empleo generado citado en la columna (2) , se refieren al ciclo agricola
- 5) El valor de la produccion y empleo generaco citados en la columna (3) , corresponde a los ciclos de al 90/91

TABLE XIX A. INDICADORES DE RESULTADOS BAJO LA LINEA 519-0307
PRIMER TRIMESTRE 1992 Y PROYECTADO SEGUNDO TRIMESTRE DE 1992
BANCA MIXTA E HIPOTECARIO

INDICADORES -----	Programado	Realizado	Realizado	Programado
	Trimestre	Realizado	Acumulado	Proximo
	(1)	(2)	(3)	(4)
1. Linea de Redescuento -----				
a. Creditos Inversion -----				
Coop. Fase I (Numero)	0	1	110	6
Numero de Creditos	0	1	252	9
Monto contratado (US\$ 000)	0.00	96.27	15,660.58	309.60
Monto Desembolsado (US\$ 000)	400.40	180.57	13,211.06	150.00
Benefic. fase III (Numero)	0	0	90	0
Numero de Creditos	0	0	2	0
Monto contratado (US\$ 000)	0.00	0.00	140.00	0.00
Monto Desembolsado (US\$ 000)	0.00	0.00	137.30	0.00
b. CREDITO DE AVIO -----				
Cooperativas Fase I (numero)	4	8	131	35
Numero de Creditos	4	12	472	66
Monto Contratado (US\$ 000)	372.24	651.80	49,113.05	8,128.41
Monto Desembolsado (US\$ 000)	409.40	1,192.36	37,393.86	3,000.00
Beneficiarios Fase III(numero)	0	0	561	0
Numero de Creditos	0	0	17	0
Monto Contratado (US\$ 000)	0.00	0.00	1,005.20	0.00
Monto Desembolsado (US\$000)	0.00	0.00	795.19	0.00
c. Total Fase I y III				
Cooperativas fase I (numero)	4	9	241	41
Numero de creditos	4	13	724	75
Monto contratado(US\$ 000)	372.24	748.07	64,773.63	8,438.01
Monto Desembolsado (US\$ 000)	809.80	1,372.93	50,604.92	3,150.00
Beneficiarios Fase III(numero)	0	0	651	0
Numero de Creditos	0	0	19	0
Monto Contratado (US\$ 000)	0.00	0.00	1,145.20	0.00
Monto Desembolsado (US\$ 000)	0.00	0.00	932.49	0.00
d. Gran Total				
Numero de Creditos	4	13	743	75
Monto Contratado (US\$ 000)	372.24	748.07	65,918.83	8,438.01
Monto Desembolsado (US\$ 000)	809.80	1,372.93	51,537.41	3,150.00

Notas :

- 1) EL NUMERO DE COOPERATIVAS ACUMULADO (COLUMNA 3) ES EL NUMERO NETO DE COOPERATIVAS; NO ASI EL NUMERO DE COOPERATIVAS CITADO EN LAS COLUMNAS (1), (2), Y (4).
- 2) TODAS LAS CANTIDADES EN DOLARES EN LAS COLUMNAS (1), (2) Y (4), ESTAN CALCULADAS AL TIPO DE CAMBIO DE c8.05 = 1.00 U.S.S.
- 3) LOS MONTOS DESEMBOLSADOS INCLUYEN LOS CORRESPONDIENTES A CREDITOS CONTRATADOS EN EL TRIMESTRE Y EN PERIODOS ANTERIORES.

TABLE XIX B. INDICADORES DE RESULTADOS BAJO LA LINEA 519-0307
PRIMER TRIMESTRE 1992 Y PROYECTADO SEGUNDO TRIMESTRE DE 1992
BANCA DE FOMENTO AGROPECUARIO

INDICADORES -----	Programado	Realizado	Realizado	Programado
	Trimestre	Realizado	Acumulado	Proximo
	(1)	(2)	(3)	Trimestre
				(4)
1. LINEA DE REDESCUENTO -----				
a. CREDITOS DE INVERSION FASE I Y III -----				
Coop. Fase I (Numero)	2	2	61	8
Numero de Creditos	2	2	108	12
Monto contratado (US\$ 000)	56.09	67.99	3,677.41	400.00
Monto Desembolsado (US\$ 000)	156.39	69.63	3,103.52	300.00
Benefic. fase III (Numero)	0	0	1,086	50
Numero de Creditos	0	0	7	5
Monto contratado (US\$ 000)	0.00	0.00	122.18	56.00
Monto Desembolsado (US\$ 000)	0.00	0.00	108.84	56.00
b. CREDITO DE AVIO FASE I Y III -----				
Cooperativas Fase I (numero)	0	158	80	70
Numero de Creditos	0	158	331	106
Monto Contratado (US\$ 000)	0.00	1,390.45	5,819.66	6,122.43
Monto Desembolsado (US\$ 000)	1,490.60	1,390.45	6,587.32	2,500.00
Beneficiarios Fase III(numero)	0	1,047	5,122	190
Numero de Creditos	0	1,047	4,858	19
Monto Contratado (US\$ 000)	0.00	209.98	3,755.54	446.30
Monto Desembolsado (US\$000)	0.00	209.98	2,898.23	150.00
c. TOTAL FASE I Y III -----				
Cooperativas fase I (numero)	2	160	141	78
Numero de creditos	2	160	439	118
Monto contratado(US\$ 000)	56.09	1,458.44	9,497.07	6,522.43
Monto Desembolsado (US\$ 000)	1,646.69	1,460.08	9,690.84	2,300.00
Beneficiarios Fase III(numero)	0	1,047	6,203	240
Numero de Creditos	0	1,047	4,875	24
Monto Contratado (US\$ 000)	0.00	209.98	3,877.72	502.30
Monto Desembolsado (US\$ 000)	0.00	209.98	3,007.07	206.00
d. GRAN TOTAL -----				
Numero de Creditos	2	1,207	5,314	142
Monto Contratado (US\$ 000)	56.09	1,668.42	13,374.79	7,024.73
Monto Desembolsado (US\$ 000)	1,646.69	1,670.06	12,597.91	3,006.00

Notas :

- 1) EL NUMERO DE COOPERATIVAS ACUMULADO (COLUMNA 3) ES EL NUMERO NETO DE COOPERATIVAS; NO ASI EL NUMERO DE COOPERATIVAS CITADO EN LAS COLUMNAS (1), (2), Y (4).
- 2) TODAS LAS CANTIDADES EN DOLARES EN LAS COLUMNAS (1), (2) Y (4), ESTAN CALCULADAS AL TIPO DE CAMBIO DE $\$2.05 = 1.00$ U.S.S.
- 3) LOS MONTOS DESEMBOLSADOS INCLUYEN LOS CORRESPONDIENTES A CREDITOS CONTRATADOS EN EL TRIMESTRE Y EN PERIODOS ANTERIORES.
- 4) EL NUMERO DE BENEFICIARIOS DE LA FASE III COLUMNA (2), ES ESTIMADO