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FARMERS ORGANIZATIONS SERVING LOW INCOME FARMERS  
IN EL SALVADOR

A Report  
Prepared By

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## SECTION I: INTRODUCTION

An intensive review of farmers organizations was carried out. The purpose of this review was to determine the alternative means that exist in El Salvador for small farmers to organize for their economic advantage. The focus of the review was on services which have a direct relationship to agricultural production.

Included in the survey were the rural-based cooperatives and pre-cooperatives which are either affiliated with or have been promoted by the following nationally-based organizations:

- FEDECACES Federación de Cooperativas de Ahorro y Crédito de El Salvador.
- FUNPROCOOP Fundación Promotora de Cooperativas.
- INSAFOCOOP Instituto Salvadoreño de Fomento Cooperativo.
- UCS Unión Comunal Salvadoreña.
- CAJAS DE CREDITO Federación de Cajas de Crédito (Sistema de Cajas de Crédito Rural).

Also included were the grupos solidarios, which consist of grupos of up to ten individuals without personería jurídica (legal recognition) which are recognized as borrowing units (eligible credit recipients) by the National Agricultural Development Bank (B.F.A.).

All sponsoring or promoting agencies or institutions were contacted at the national level and an average of two in-depth interviews were conducted with their general managers or chief executives. In addition a total of 63 base groups not including the grupos solidarios were located in the observational zones chosen for this and the other two studies undertaken by the Básico, Inc., contract group. Twenty one of these base groups were contacted and a standard questionnaire was filled out. Wherever possible members of these base groups were interviewed. Special emphasis was placed on contacting members of grupos solidarios and a special schedule was developed for this work. The government agency, INSAFOCOOP, responsible for regulating and legitimizing cooperatives was contacted.

The immediate objectives of this work were to:

1. Review the recent history of rural based groups.
2. Determine the scope of their operations with respect to total number of members served, type of farmer-members served, and volume and types of services provided.

3. Determine the financial and management capacity of sponsoring institutions to sustain present levels of services and the financial resources required to expand these services.
4. Determine the policies of the government with respect to the establishment and growth of rural base-groups.

## SECTION II: GENERAL OBSERVATIONS

### A. NUMBERS OF SMALL FARMERS SERVED BY FARMERS ORGANIZATIONS

For the purpose of this review any rural-based group which numbered small farmers among its members or clients was classified as a base group. Legal recognition, or affiliation with a national organization were not considered as constraints to recognition. The only criterion imposed was that the groups be active in the sense that they are providing some economic service to their members.

Based on Table N<sup>o</sup> 1 below, we estimate that a total of 20,434 target group farmers identified with 992 rural base groups are receiving services with a value of \$18,943,000 in support of agricultural production.

The total number of small farmers identified in this study represent 10.6% of the 192,850 low income farmers 1/ who are estimated to be in the target group.

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1/ Numbers of farm families which have access to less than 2.0 hectares (3.5 Manzanas) of land: From CONAPLAN data presented in USAID/EL Salvador memorandum dated February 24, 1975.

Table 1

NUMBER OF BASE GROUPS SERVING SMALL SCALE FARMERS;  
ESTIMATED NUMBER OF FARMERS SERVED; VALUE OF SERVICES PROVIDED

	<u>Nº BASE GROUPS CLAIMED</u>	<u>ESTIMATED Nº FARMERS SERVED</u>	<u>EST. VALUE SERVICES PROVIDED</u>
<u>STRONG AFFILIATION</u>			
FEDECACES <u>1/</u>	9	2,355	¢ 2,000,000
CAJAS DE CREDITO <u>2/</u>	39	3,260	4,300,000
<u>MIXED AFFILIATION</u>			
U. C. S. <u>3/</u>	48	3,907	6,500,000
<u>WEAK AFFILIATION</u>			
FUNPROCOOP <u>4/</u>	59	3,721	838,000
<u>NON-AFFILIATED BASE GROUPS</u>			
COOPS & PRE-COOPS <u>5/</u>	40	3,200	3,435,000
GRUPOS SOLIDARIOS <u>6/</u>	<u>797</u>	<u>3,991</u>	<u>1,870,000</u>
TOTAL	992	20,434	¢18,943,000

- 1/ FEDECACES has 54 affiliates with 3,364 farmer members of which FEDECACES estimates 2,355 own less than 5 manzanas. Value of services provided is estimate of loans outstanding to farmer members for 1975-76 crop season.
- 2/ All Cajas de Crédito except one grant some agricultural credit. Estimates of small farmers served and value of services provided are extremely rough due to limited data on size of farm operations of credit users.
- 3/ U.C.S. claims total membership of 150,000 campesinos. Our base group total however only includes nationally based U.C.S. credit and multi-service cooperatives, U.C.S. sponsored cooperatives already legalized and groups in formation with credit. Value of services provided is estimate of total financing to 48 groups from BFA and U.C.S. including some financing of land purchases in 1974 and 1975.
- 4/ Base group total includes groups FUNPROCOOP reports to be presently assisting. Value of services provided is value of financing provided by BFA and FUNPROCOOP.

(Foot notes continued on next page)

- \ 5/ Estimate of base groups is based on BFA records of cooperatives financed which were promoted by INSAFOCOOP, BFA, MAG, Extensión Agrícola and other organizations. Also includes limited number of cooperatives promoted by FUNPROCOOP but no longer assisted by FUNPROCOOP. Value of services provided is value of BFA financing for 1975-76 crop season.
- \ 6/ Included are grupos solidarios organized by BFA agents which only receive in-kind agro-input credit and grupos solidarios organized by both BFA and Extensión Agrícola agents under the Programa de Producción Tecnificada de Granos Básicos which includes distribution of FAO food stuff in addition to in-kind agro-input credit.

## B. CLASSIFICATION OF BASE GROUPS AND NATIONAL ORGANIZATIONS

For the purposes of compiling Table N°1 sub-groups were divided into those which are affiliated with a national organization and those which operate independently of such affiliation. The national organizations were classified according to the strength of the base groups affiliation with the central organization as: STRONG, MIXED, and WEAK.

### Classification of National Organizations

Strong affiliation: Base groups received significant financial support and/or administrative support from the national organization.

FEDECAACES - Federación de Cooperativas de Ahorro y Crédito.

CAJAS DE CREDITO - Sistema de Cajas de Crédito Rural

Weak affiliation: Base groups receive insignificant or no financial and administrative support from the national organization.

FUNPROCOOP

Mixed affiliation: Some base-groups receive significant and administrative support from the national organization and others do not.

UCS - Unión Comunal Salvadoreña

Non-affiliated Base Groups: Non-affiliated base groups are those that have no direct administrative, economic, or ideological ties with a national organization. They consist of pre-cooperatives (groups intent upon becoming cooperatives, but which are not yet legally recognized), legally registered local cooperatives and solidarity groups (Grupos Solidarios). The non-affiliated groups in almost all cases derive their financial support directly from the Economic and Social Development Fund of the Banco de Fomento Agropecuario (BFA). They may receive some educational and administrative assistance from the Instituto Salvadoreño de Fomento Cooperativo (INSAFOCOOP), the autonomous government agency responsible for promoting and regulating cooperatives. Cooperatives promoted by INSAFOCOOP and the Banco de Fomento Agropecuario are included in this group.

The identity (vinculación) of these base groups is more diverse than is indicated in Table N° 1. There are base groups which call themselves savings and loan cooperatives whose only function is the provision of agricultural credit. There are base groups which function as savings and loan coops but are not affiliated with the National Federation of Savings and Loan Coops. Some of the cooperatives classified as independent were originally promoted by FUNPROCOOP. There was one case that fell within our field sample, where a cooperative divided its membership up

into solidarity groups because they perceived that the credits granted to solidarity groups by the BNA were processed and approved more expeditiously than were coop loans.

### C. SERVICES PROVIDED BY BASE GROUPS

The principle service which is provided to the farmers who are members of these base groups is the provision of production credit for the procurement of cash inputs such as fertilizers, certified seed, and agricultural chemicals, to pay for land rental, and in some cases to pay for labor (or to provide for family subsistence until the crop is harvested). Much of this credit is given in kind. This phenomenon was particularly pronounced during the current agricultural year in which approximately \$11,000,000 of fertilizer was moved as credit in kind.

Production credit is extended to the final user on advantageous terms with annual interest charges including fixed service charges ranging from 7.5% to 26% <sup>1/</sup>. These charges compare with commercial bank interest rates ranging from 11% to 13% and money lender and rural retail store rates which are reported to range from 24% to 100%.

Our estimate of the kinds of credit provided to small farmers through farmers organizations to the target group is as follows:

Short Term - Crop Production	\$16,858,170	89 %
Medium Term - Livestock & Equipment	364,830	2 %
Long Term - Land Acquisition	1,720,000	9 %

None of the base groups sampled provide significant agricultural technical assistance to their members, nor do the national organizations provide any significant agricultural technical assistance to or through affiliated base groups. There are numerous agronomists employed throughout this sub-sector but none could be identified who work primarily as agents of technical assistance. They are employed as administrators, organizers, educators, and credit agents.

No base groups were encountered in our survey areas or were reported to us which maintain retail farm stores or maintain year round inventories of agricultural supplies. An exception was that one of the national

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<sup>1/</sup> The lower rates 7.5-9.0% predominate

organizations has established a multi-service support coop at the national level which had a stock of seed corn and bean seed at the time of our visit. The principle involvement farmers' organizations have in El Salvador in the marketing of agricultural inputs is the one shot per year function of assembling the critical input package which their members need for May plantings. Members' incidental needs for inputs that develop as the crop seasons progress are met by direct individual small purchases at the numerous privately owned independent retail farm stores (Agro-servicios) that abound in El Salvador.

No direct marketing activity of any consequence in the basic grains is undertaken by base groups. The Cajas de Crédito are involved indirectly in marketing by providing their clients with storage loans. The extent of most base groups involvement in marketing at the present time is to advise their members to deliver their marketable surplus of basic grains to the Instituto de Regulación y Abastecimiento (I.R.A.). Those base groups who receive BNA financing are obligated to deliver their grain to IRA, but this stipulation is not vigorously enforced. It is more of a loan collection mechanism than it is a marketing policy.

The principle exception to the assertion that the farmer organization sub-sector is primarily oriented towards meeting its members needs for production credit are the cases of the sub-groups which have purchased or are renting land cooperatively. An estimated 1,000 of the farmers identified in this review belong to communal production cooperatives - groups whose primary need was to acquire access to land. In these cases the land is exploited collectively. There are also cases where the cooperative has arranged rental of land for individual exploitation.

The following Table indicates the range of services provided by the local cooperatives that were visited by the study team.

Table 2

SERVICES PROVIDED BY 21 COOPERATIVES

CHECK LIST

COOPERATIVE OR GROUP	#1	#2	#3	#4	#5	#6	#7	#8	#9	#10	#11	#12	#13	#14	#15	#16	#17	#18	#19	#20	#21
TECHNICAL ASSISTANCE TO MEMBERS																					
SHORT TERM AGRICULTURAL CREDIT	x	x	x		x	x	x		x	x	x	x	x	x	x	x	x	x	x	x	x
MEDIUM TERM AGRICULTURAL CREDIT	x	x	x		x							x	x	x	x						
LONG TERM AGRICULTURAL CREDIT									x		x	x	x	x	x						
ONE SHOT IN-KIND DISTRIBUTION OF FERTILIZERS, SEED, OR AGRO-CHEMICAL	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x
FERTILIZER SALES (INVENTORY MAINTAINED)																					
AGRICULTURAL CHEMICAL SALES (INVENTORY MAINTAINED)																					
OTHER SALES																					
MARKETING												x	x	x	x						
ACCESS TO LAND-COMMUNAL									x		x									x	x

Source : Contractors Survey.

SECTION III:  
FEDERACION DE COOPERATIVAS DE AHORRO Y CREDITO  
DE EL SALVADOR (FEDECACES)

Savings and loan cooperatives had been organized in El Salvador prior to the 1960's in limited numbers in an attempt to provide low-cost credit to persons of scarce means. In many cases these early credit cooperatives were promoted by village priests. It was not, however, until the mid 1960's that a concerted effort was made to promote savings and loan cooperatives. In 1964 under the auspices of USAID and with the assistance of CUNA International a program to promote the organization of cooperatives was begun. Initial emphasis was on the organization of as many cooperatives as possible. These efforts resulted in the organization of many small cooperatives in both urban and rural areas. As in other Latin American countries, however, the majority tended to be organized among the middle and lower-middle and lower-middle classes in El Salvador's urban areas. Where cooperatives were organized in rural areas they tended to be organized among the better educated members of the community - school teachers, professionals, small merchants, etc.

In 1966 with CUNA/AID financial and advisory assistance 46 cooperatives formed the Federación de Ahorro y Crédito de El Salvador (FEDECACES). By 1969 ninety-four cooperatives had been organized and the Federación was heavily subsidized by USAID. During the period December 1966 through October 1973 USAID/EL Salvador provided a total of \$626,000 in grant funds to FEDECACES of which \$206,000 was used to finance a CUNA contract which was concluded on October 31, 1973.

In October 1970 a contract was signed between FEDECACES and AID providing FEDECACES with \$2,000,000 in loan capital to be paid over 25 years with a 7 year grace period. The initial disbursement of \$1,000,000 was not made until August of 1971 due to the determination that neither the Federation nor the cooperatives were equipped to manage the outside financing. At that time the decision was made to eliminate the AID operational budget subsidy, restructure the organization, and elaborate new legal statutes to provide FEDECACES with legal status under the newly passed cooperative law.

These decisions involved drastic reduction in FEDECACES's budget and re-orientation of efforts to attempt to consolidate the existing movement, prepare its affiliates to receive credits, and exist as a self-sufficient entity. With the restructuring the number of affiliated cooperatives dropped markedly. Fifty three cooperatives disaffiliated, most of them voluntarily, between 1970 and 1973. FEDECACES reported 49 affiliated cooperatives as of December 31, 1973. As of July 1975 FEDECACES had 54 affiliates. (See Annex A).

Table 3 provides a snap-shot statistical look at the cooperatives affiliated to FEDECACES as of December 1973, December 1974 and June 1975. It should be noted that FEDECACES statistics include data from only 32 to 36 of the 54 cooperatives affiliated. The remaining cooperatives do not regularly send FEDECACES their financial reports.

Table 3

STATISTICAL SNAP-SHOT OF FEDECACES AFFILIATES

	<u>Dec. 31, 1973</u>	<u>Dec. 31, 1974</u>	<u>June 30, 1975</u>
AFFILIATED COOPERATIVES	54	54	54
MEMBERSHIP	12,772	15,150	16,000
PAID IN CAPITAL	2,503,236	4,159,598	4,450,769
OUTSTANDING	4,716,487	8,968,937	9,865,830
RESERVES	154,347	205,765	220,168
EXTERNAL FINANCING	3,288,916	6,451,941	7,757,517
ASSETS	6,129,069	10,714,652	11,464,677

SOURCE: Various unpublished FEDECACES documents.

FEDECACES today offers its affiliates the following services:

1. Financing - FEDECACES acts as a financing agency for its affiliates. As of December 31, 1974 FEDECACES was utilizing for purposes of sub-loans to its affiliates the following resources:

a. USAID loan monies	¢ 3,712,500
b. Banco Central de Reserva loan	1,564,845
c. Capital and reserves of FEDECACES	<u>1,375,682</u>
TOTAL	¢ 6,653,027

2. Training and Cooperative education - FEDECACES provides training for cooperative directors and employees. This training takes the form of seminars, short courses, etc.
3. Technical assistance - FEDECACES provides technical assistance in such areas as cooperative administration and accounting using its own field personnel. Also available for more specialized technical assistance are consultants from the Latin American Confederation of Savings and Loan Cooperatives (COLAC).
4. Fidelity bonding - FEDECACES offers fidelity bonding to its affiliates providing insurance against embezzlement robbery, fire loss, etc. Affiliates pay for the service based on total assets.
5. Life Insurance covering savings and loans - Through a reinsurance agreement with CUNA Mutual Insurance Society FEDECACES offers insurance which in case of a cooperative member's death pays any loan balance and returns to the deceased member's beneficiaries an amount equal to his savings in the cooperative.
6. Audit service - FEDECACES maintains an auditing department which offers auditing services to its affiliates at reasonable prices.

#### FEDECACES and Agricultural Production Credit

Prior to its reorganization FEDECACES had begun a program of Directed Agricultural Production Credit through 9 rural based cooperatives. This program involved provision of short term credit for production of basic grain crops to approximately 3,000 farmer members. The credit was accompanied by technical assistance provided by FEDECACES employed agronomists. These rural based cooperatives have remained affiliated to FEDECACES and have received substantial amounts of credit for agricultural production, FEDECACES reports that of the movement's 16,000 members, 3,364 are farmers. FEDECACES estimates that 2,355 of these are farmers who own less than 5 manzanas of land. Thus only 14.5% of the total membership can be considered small farmers. One FEDECACES official estimates that the average farmer using production credit from one of nine rural credit cooperatives farms between 2 1/2 and 3 1/2 manzanas. The nine rural FEDECACES cooperatives presently receiving financing for agricultural production are indicated in Annex A.

Table 4 indicates the amounts of agricultural production credit distributed to these 9 rural cooperatives during five years and the rates of recuperation for the last four. Loan delinquency registered last year is reported due to crop failure due to drought conditions which particularly affected the Nueva Concepción and San Juan-San Isidro cooperatives.

Table 4

## FEDECACES FINANCING FOR AGRICULTURAL PRODUCTION TO 9 COOPERATIVES

<u>YEAR</u>	<u>TOTAL FINANCING</u>	<u>% RECUPERATION</u>
1971-72	¢ 358,618	100
1972-73	1,711,729	87.8
1973-74	1,390,646	94.2
1974-75	2,650,984	70.2
1975-76	1,849,681	--

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SOURCE: Discussions with General Manager FEDECACES.

Agricultural production financing is almost totally in the form of short-term credit for basic grain production. As of June 14, 1975, FEDECACES reported that the 9 rural cooperatives had provided financing totaling ¢1,514,691 for 3238 manzanas of corn, 335 manzanas of rice, 7 manzanas of beans and 2 manzanas of sorghum.

Approximately 75% of all credit for basic grain production is put into the hands of the borrower in the form of fertilizers, improved seed and agro-chemicals, FEDECACES has for several years purchased fertilizers in large quantities for distribution to its rural affiliates. For the 1975-76 crop year FEDECACES imported directly and purchased from local distributors a total of approximately 2,000 metric tons of fertilizer for distribution to its affiliates. The fact that this fertilizer was purchased before prices began to fall created serious problems for the organization. FEDECACES was, however able to get the government to agree to subsidize to some degree the price differential. Details of the subsidy have not yet been worked out.

Between 1973 and 1974 FEDECACES doubled its agricultural production loans. The best estimate for the current year is that agricultural credit has been reduced to about ¢2,000.000.

Table 5COMPARISON OF LOANS GRANTED BY  
FEDECACES DURING 1973 AND 1974

<u>PURPOSE</u>	<u>1973</u>	<u>1974</u>	<u>% CHANGE</u>
AGRICULTURAL PRODUCTION	1,290,456	2,686,739	108.2
CONSUMPTION	1,093,000	2,629,735	140.6
COMMERCE	1,637,500	1,476,677	- 9.8
HOUSING	313,000	185,000	- 40.9
FEDECACES SERVICES PROVIDED	<u>191,686</u>	<u>152,133</u>	- 20.6
	Ø4,525,642	Ø7,130,284	

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SOURCE: FEDECACES Annual Report 1974.

Table 6

STATISTICAL CHARACTERISTICS OF NINE FEDECACES RURAL  
COOPERATIVES COMPARED TO SAME CHARACTERISTICS FOR  
ALL FEDECACES COOPERATIVES JUNE 30, 1975

	<u>ALL COOPERATIVES</u>	<u>9 RURAL COOPERATIVES</u>	<u>%</u>
MEMBERS	16,000	3,888	24
PAID-IN CAPITAL	4,450,769	928,405	21
OUTSTANDING LOAN BALANCE	9,865,830	2,838,226	29
EXTERNAL FINANCING	7,757,517	2,642,588	34
RESERVES	220,168	91,237	41
ASSETS	11,464,677	3,865,041	34
DELINQUENT LOAN PAYMENTS TO FEDECACES	709,571	533,934	75

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SOURCE: Gen. Mgr. FEDECACES

## PROBLEMS AND FUTURE PLANS

FEDECACES' plans for the future do not include increasing its number of affiliates. Instead available resources will be used to attempt to revitalize existing cooperatives. When this is not possible, FEDECACES will consider accepting new cooperatives which fulfill a relatively strict list of requirements (Annex B). The policy will be to disaffiliate the inactive cooperatives.

Recent problems with fluxuating fertilizer prices and the high incidence of loan delinquency among the rural cooperatives has caused FEDECACES to do some reevaluation of the organization's involvement with agricultural production credit. The manager of FEDECACES also stated that the recent increased involvement of the Banco de Fomento Agropecuario in provision of both credit and agro-inputs at subsidized interests rates was cause for concern. The requirement that Banco Central de Reserva financing earmarked for basic grain production must be lent to the farmer at no more than 9% has squeezed both FEDECACES and the cooperatives margins, making it more difficult to cover administrative costs. FEDECACES officials state however, they plan to continue servicing the rural cooperatives. Future plans also call for studying the feasibility of assisting the rural cooperatives become involved in marketing basic grains.

Information was relatively more easily obtained from FEDECACES and its affiliates than from the other organizations we investigated. This is to a large degree due to the fact that FEDECACES requires fairly complete reporting from cooperatives receiving financing. Also almost all agricultural credit activity is concentrated in 9 cooperatives making isolation of services to the agricultural sector easier.

Only 3 of the 9 rural cooperatives fell within our observational zones. These cooperatives had the following characteristics:

1. The average age of the cooperatives was 7 years. All have legal recognition.
2. The average membership is 743 of which an estimated 75% are active.
3. Two of the cooperatives have branch offices. One is based in an ISTA colony and has 9 branches in ISTA colonies scattered over much of western El Salvador.
4. The average paid-in capital for the cooperatives is ¢163,401; average reserves are ¢18,178.

5. The average amount loaned to members for agricultural production for 1975 crop season is ¢394,600. All received financing from FEDECACES.
6. The principal service to members in all cooperatives is credit in kind - most importantly fertilizers. Small amounts of cash for land rental and payments of day laborers are also provided.
7. One cooperative owns its own office. All have minimum necessary office equipment including strong box.
8. Each cooperative has a full-time manager, bookkeeper and secretary.
9. One cooperative had a balance sheet for the previous month on hand; two did not.
10. The boards of directors of all the cooperatives had met no longer ago than 5 days before our visit.
11. Guarantee requirements vary. All cooperatives would prefer land titles. Collateral guarantees are most common. Usually only the harvest is pledged.
12. All cooperatives charge 9% interest for agricultural loans made with FEDECACES financing acquired from the Banco Central de Reserva. All three cooperatives add on addition 1% surcharge to cover administrative costs. Two cooperatives charge 12% interest on non-agricultural loans; one charges 24%.
13. All borrowers are forced to save 10% of the value of any loan they receive - a condition imposed by FEDECACES to insure increased capitalization of the affiliate cooperatives. All cooperatives must invest 10% of any loan they receive in FEDECACES to insure its capitalization.
14. The three cooperatives have an average delinquent loan rate of approximately 14.5%.

SECTION IV:  
FUNDACION PROMOTORA DE COOPERATIVAS  
(FUNPROCOOP)

The Fundación Promotora de Cooperativas (FUNPROCOOP) is a private non-profit organization dedicated to the promotion of cooperatives among landless or near-landless peasants. Its beginnings can be traced to the concern of the archbishop of San Salvador for the plight of poor peasant farmers in El Salvador's central departments in the mid-1950's. In 1955 a Catholic priest formed a savings and loan (credit) cooperative in the community of Tamanique, Department of La Libertad among farmers, none of which had more than a manzana of land to cultivate. Based on this and similar experiences the archbishop of San Salvador in 1959 created a special department within the church's Secretariado Social Interdiocesano dedicated to promoting cooperatives. During this period the majority of the cooperatives organized were savings and loan (credit) cooperatives although some agricultural and consumer cooperatives were also formed.

By 1962, the Sección de Cooperativas, as the church's cooperative promotion department was called, began a program of agricultural technical assistance to organize savings and loan cooperatives after realizing that credit was but one of the needs of the peasant farmers. In 1963 a program of in kind credit in the form of fertilizers and other agro-inputs was begun. Initially contacts were made with commercial fertilizer outlets which extended credit to the Sección de Cooperativas. In 1965 a \$20,000.00 line of credit was obtained from the German Bishop's Fund-Misereor to finance fertilizer purchases. This credit was later increased to \$120,000.00. In 1967, at the suggestion of Misereor the Sección de Cooperativas was converted into a non-profit foundation called the Fundación Promotora de Cooperativas and given legal recognition.

During the period from 1963 to 1972 FUNPROCOOP's program of in-kind credit grew (See Table 7). Loan repayment was reported good at least until 1968 and FUNPROCOOP reported that campesinos in the Department of Chalatenango who had traditionally experienced average corn yields of 15qq/mz were achieving average yields of 50qq/mz by 1968. In 1969, FUNPROCOOP had an annual budget of \$90,000.00 and employed 17 persons including 1 ingeniero agrónomo, 2 full-time agrónomos, 1 part-time agronomo, 4 cooperative technicians, 1 project director, 3 bookkeepers, 2 secretaries, 1 agricultural input supply officer, 1 driver and 1 bodeguero.

As is evident however from Table 1, the program of input credit was greatly curtailed in 1972 and suspended altogether in 1973 due to the fact that by this date FUNPROCOOP had defaulted on payment to the agricultural supply houses which had advanced fertilizers and other inputs on credit. This was in part due to the fact that although recuperations of credit from individual cooperatives was reported good until 1968, in that year some cooperatives began to fall behind in their payments.

TABLE 7

SECRETARIADO SOCIAL INTERDIOCESANO AND  
FUNPROCOOP ASSISTED COOPERATIVES

<u>YEAR</u>	<u>NO. OF COOPERATIVES</u>	<u>MEMBERS</u>	<u>FERTILIZER CREDIT</u>
1963	2	98	6,100
1964	7	541	71,000
1965	13	1,500	142,000
1966	14	5,125	303,000
1967	29	7,857	345,000
1968	26	8,420	420,000
1969	37	9,608	600,000
1970	46	6,540	637,000
1971	54	8,408	666,000
1972	63	12,430	144,483
1973	63	7,990	-0-
1974	61	9,000	29,000
1975	58	3,721	109,000

As of June 1974 the total outstanding was ¢148,792 or 4.5% of the total value of credit granted since 1963.

Of greater harm to FUNPROCOOP financial position, however, was the fact that beginning in 1969 FUNPROCOOP invested in several special projects which resulted in substantial losses for the organization. In 1969 FUNPROCOOP acquired a 427 manzana farm, the Hacienda Chacalcuyo near Chalatenango with mortgage financing. Plans were made to produce seed corn for distribution to cooperatives, establish a cooperative and agricultural educational center for short courses and manage the remainder of the farm as a commercial operation. Commercial farming operations were a failure. The cooperative educational center, Escuela de Capacitación Agropecuaria, survived and is functioning today with financial assistance from the Rockefeller Foundation.

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Over the period 1969-74 FUNPROCOOP not only suffered losses from its farming operations, additional losses were incurred as a result of their investments in an animal feed concentrate factory, a rice mill, a poultry production operation and a hog production operation. As is evident from Table 8, only the agricultural input distribution program turned a profit for the period.

TABLE 8

NET RETURNS OF VARIOUS FUNPROCOOP

PROJECTS 1969-1973

	<u>NET GAIN (Plus) OR LOSS</u>
1. Hacienda Chacalcuyo	¢ - 234,993.
2. Animal feed concentrate factory	- 52,619.
3. Rice mill	- 12,654.
4. Poultry production	- 24,088.
5. Hog production	- 23,779.
6. Ag. Input Distribution	<u>+ 41,275.</u>
NET LOSS	¢ 306,858. =====

- 1) Evaluación de Trabajo de la FUNPROCOOP de El Salvador año 1969  
Dr. Sebald G. Manger, and Pbro. Lic. Juan Ramón Vega.

These losses had the initial effect of decapitalizing the organization. Default on the short-term obligations to commercial fertilizer operations followed. By September 30, 1974 FUNPROCOOP had outstanding obligations to commercial houses, banks and Misereor totalling \$1,065.394.

The curtailing of the fertilizer credit program had serious repercussions among FUNPROCOOP's clientel and was the principal factor responsible for the gradual reduction in member cooperatives serviced and in member withdrawals from the cooperative as reflected in the data from Table 7.

In their analysis of FUNPROCOOP's situation made in October 1974, Pbro. Lic. Juan Ramón Vega and Lic. David Alvarado Mixco list the following causes for the financial problems the organization faced;

1. Internal problems:

- a) Inadequate feasibility studies of projects;
- b) Lack of technical expertise in finance and marketing;
- c) General lack of sound administration of the organization;
- d) Absence of established loaning policies;
- e) Paternalism on the part of FUNPROCOOP as evidenced by lack of participation of campesinos in the decision making process of the organization.

2. External problems:

- a) The El Salvador-Honduras War and the fact that some cooperative members lost their crops and were unable to repay credits;
- b) The 1972-73 drought resulting in widespread crop losses.

Since the financial crisis which peaked in 1974 FUNPROCOOP's problems have been the object of studies by the organizations which have provided financial assistance in the past and detailed plans for future directions have been presented in the Plan Global de Desarrollo. Major points in the proposed plan which as of this date has only begun to be acted on include:

1. A restructuring of FUNPROCOOP with emphasis on including campesino cooperative members in the decision making process of the organization.
2. The formation of six regional service centers which would eventually become independent regional cooperatives.
3. A program of consolidation of the organization's financial position geared toward eventual self-sufficiency.
4. The initiation of a cooperative marketing program for basic grains to serve assisted cooperatives and groups.

5. Reinitiation of the credit-in-kind input distribution program.

The basic grain marketing program is in its initial stages now and is to be financed by a portion of a \$270,000. grant FUNPROCOOP recently received from the Interamerican Foundation.

The agro-input distribution program was reinitiated on a limited scale for the 1974 crop season with U.S. Embassy Special Project Fund financing. Fifty thousand dollars of the \$270,000 Interamerican Foundation grant has been ear-marked for this program although, due to the late arrival of this funding, only a portion of it was used to finance fertilizer and other agro-inputs credits this crop season.

Although FUNPROCOOP does not aspire to organize a federation of cooperatives 2/ it has over its history provided many of the services traditionally provided by second-level cooperative associations. The services provided by FUNPROCOOP over its history have included:

1. Basic promotion of credit, consumer and agricultural cooperatives.
2. Cooperative education and leadership training.
3. Agricultural technical assistance.
4. Cash and in-kind credit for basic grain production.
5. Assistance with accounting and other aspects of cooperative administration.

The clientel of FUNPROCOOP are for the most part landless or near landless peasants who are engaged in agriculture and have been organized into cooperatives.

The basic service provided by the individual cooperatives and groups is provision of agricultural credit in-kind for the most part fertilizers. Very few of the cooperatives provide credit in cash. A few of the cooperatives attended by FUNPROCOOP are organized among non-farmers and include such groups as small artesans and market vendors.

The vast majority of FUNPROCOOP's clientel are landless or near landless peasants who are engaged in subsistence agriculture and have been organized into cooperatives by FUNPROCOOP promoters who have been in many cases assisted by local parish priests.

FUNPROCOOP Cooperative Education Director J. R. Maida estimates that 90% of the peasants the organization serves do not own land. We doubt that the proportion is this high. However we observed that FUNPROCOOP's clients tend to include a higher percentage of marginados than the clients of FEDECACES, UCS or the Cajas de Crédito.

Annex A provides a list of cooperatives and groups presently receiving assistance from FUNPROCOOP. They tend to be concentrated in the country's central departments.

2/ Plan Global de Desarrollo de la Fundación Promotora de Cooperativas, Pbro. Lic. Juan Ramón Vega and David Alvarado Mixco, p: 45, 46.

external financing totalling ₡838,000 for this crop season. FUNPROCOOP officials estimate that 80% of this financing is for fertilizers; the remaining 20% for other agro-inputs including seed, and insecticides. In-cash credit is negligible. As indicated in Table 7, ₡109,000, or 13% of the total external financing for this crop year was channeled to the cooperatives by FUNPROCOOP. The remaining 87% was provided by the Banco de Fomento Agropecuario.

In addition to what is for the moment limited financial assistance, FUNPROCOOP continues to provide administrative and technical assistance to its groups. This assistance takes the form of training sessions for cooperative directors and assistance with accounting and other administrative functions. Agricultural technical assistance is for the moment minimal due to the recent resignation of two FUNPROCOOP agrónomos. The Escuela de Capacitación Agropecuaria built in 1971 on the Hacienda Chacalcoyo with Rockefeller Foundation financing continues to function as a center for FUNPROCOOP's cooperative leadership training and basic agriculture short-courses.

FUNPROCOOP presently has 19 employees. They include 1 executive director, 1 manager of operations, 1 secretary, 1 coordinator of educational programs, 1 cashier-bookkeeper, 1 assistant bookkeeper, 1 consulting agronomist, 2 cooperative auditors, 7 cooperative extensionists, 1 driver, 1 mechanic and 1 janitor.

FUNPROCOOP is concerned that the number of campesinos its programs affects has diminished. FUNPROCOOP's officials point to the curtailing of the fertilizer credit program as the single largest factor in the defection of many of the groups and cooperatives it formerly served. There is also concern on the part of FUNPROCOOP's leadership that it is not for the moment able to offer agricultural technical assistance due to lack of personnel.

FUNPROCOOP plans for the future include a gradual consolidation of the movement. Instead of continuing to promote the formation of many small cooperatives FUNPROCOOP proposes to organize several regional cooperatives to service farmers in a large geographical area. It is hoped that with the larger cooperatives economies of scale can be achieved and more services offered to members at less cost. At present two regional cooperatives are functioning and approximately 4 more are contemplated.

FUNPROCOOP has grant funding from the Interamerican Foundation of ₡220,000. to finance a basic grain marketing service. Contemplated are storage facilities in strategic locations. Plans also call for the distribution of fertilizer and other inputs as in the past to those cooperatives and groups which cannot qualify for Banco de Fomento Agropecuario financing. Fifty thousand dollars in Interamerican Foundation grant funds have been ear-marked for this purpose.

Information was difficult to obtain from the FUNPROCOOP office. Most of the data requested was not readily available. We were given the impression that few systems existed for keeping up-to-date records on the cooperatives and groups assisted by FUNPROCOOP.

The four FUNPROCOOP cooperatives we visited have the following characteristics:

1. The average age of the four cooperatives is 8 years.
2. Two of the four cooperatives are legally recognized.
3. Average active membership is 81.
4. Average paid-in capital is ¢10,228. per cooperative.
5. Average outside financing is ¢17,120 for fertilizers, seed and insecticides. Three cooperatives received their financing directly from the BNF and one from FUNPROCOOP.
6. None of the four cooperatives had a balance sheet prepared for the previous month.
7. None of the cooperatives had a full-time employee however, three paid part-time bookkeepers. One cooperative had a part-time manager.
8. The boards of directors of all four cooperatives had last met no longer than a month before our visit.

We were impressed by the level of understanding of the basics of cooperativism demonstrated by the leaders of the cooperatives visited. Perhaps this is in part due to the fact these were relatively older cooperatives. We believe also that FUNPROCOOP has over the years been quite successful teaching the basics of cooperativism to these groups. Several Banco de Fomento Agropecuario personnel mentioned they preferred to work with groups organized by FUNPROCOOP because these groups usually understood basic cooperative principles and were accustomed to working together.

SECTION V

UNION COMUNAL SALVADOREÑA  
(U.C.S.)

The Unión Comunal Salvadoreña (U.C.S.) is a popularly based national organization of Salvadorean campesinos dedicated to the economic and social development of themselves and their families. The U.C.S. was organized by representatives from six departments in December 1969 with the assistance of the American Institute for Free Labor Development. The U.C.S. today claims a total membership of 150,000 and carries out an active program of cooperative promotion, leadership training, legal assistance and lobbying on behalf of campesino rights. Much of U.C.S.'s attention is focused on the problems of land tenure and the need to assist Salvadorean campesinos gain access to land and acquire production inputs.

The organizational structure of the U.C.S. at the national level includes the Consejo Ejecutivo Nacional (CEN), a board of 12 members elected annually in the national general assembly by representatives from each Department. The Twelve Ejecutivos Nacionales are all themselves campesinos. They meet weekly to discuss progress of projects in their respective departments and to coordinate future activities. This organization is in theory duplicated at the department and canton level where executive boards are also elected. The organizations at the canton level are called Uniones Cantonales and at the Department level Centros Campesinos Departamentales. At present there are eight Centros Campesinos Departamentales organized. Although the movement is national in focus it is strongest to date in the far eastern and far western Departments of the country.

The U.C.S. involvement in cooperatives dates from the formation in 1968 of a communal agricultural cooperative among 32 campesinos in Canton Platanares, Department of La Paz. The group began by renting 31 hectares which was farmed collectively. Initial financing was not sufficient to cover labor costs and the cooperative members had to await the harvest in hopes that the returns would compensate their labor. The initial experience was positive since dividends per day worked were 33% higher than the minimum wage received by day worker in the area.

This experience spurred the interest of the campesino organizations which in 1969 formed the Unión Comunal Salvadoreña with assistance from AIFLD and with communal cooperatives as their economic and ideological base. Progress in organization of communal cooperatives was slow at first largely due to lack of financing and the insecurity inherent in depending year to year on land rental agreements. In 1973 the Interamerican Foundation of Washington D.C. donated approximately U.S. \$625,000 to the U.C.S. for establishing two nationally-based cooperatives - one a savings and loan (credit) cooperative to finance the cooperatives and receive members' savings, and the other a multiple service cooperative. The multiple

service cooperative was designed to provide agricultural product marketing services, mechanized farm equipment services, legal and technical assistance on matters of land rental and purchase procedures and technical assistance with cooperative administration and accounting.

During the past two years, the increased interest on the part of the Banco de Fomento Agropecuario in financing cooperatives and the Interamerican Foundation donation to U.C.S. have made possible some land purchases and considerable production credit for U.C.S. cooperatives.

The total credit granted to U.C.S. cooperatives and groups by both the Banco de Fomento Agropecuario and the U.C.S. for the 1975-76 crop season was \$5,337,950 (Table 9). Of this total, \$946,000 was for land purchase for one cooperative. The remainder was for crop production financing. Some cotton and sugar cane was also produced by four of the communal cooperatives. Although data on the total number of manzanas financed for each crop by all U.C.S. cooperatives and groups for the 1975 crop season was not available from U.C.S., we determined from BFA sources that U.C.S. sponsored groups received BFA financing for 8,351 mz. of corn, 3,179 mz. of beans, 791 mz. of sorghum, 594 mz. of rice, 379 mz. of cotton and 50 mz. of sugar cane.

Table 9 also gives a rough idea of the proportion of U.C.S. sponsored cooperatives and groups which work land collectively and individually. As indicated some groups members work land both collectively and individually. About 20% of the total membership work at least some land collectively. The proportion is not great due in part to the difficulties in arranging land rental agreements and financing land purchases.

TABLE 9

## U.C.S. SPONSORED COOPERATIVES AND GROUPS

COOPERATIVE OR GROUP	TYPE		MEMBERSHIP	1975 FINANCING
	Communal	Individual		
1. Reg. La Migueleña (ACOPAN R.L.)		X	300	317,200
2. Reg. La Ahuachapaneca		X	143	531,000
3. Reg. La Sonsonateca	X	X	201	113,588
4. Reg. La Santaneca		X	450	216,900
5. Rég. La Libertad		X	122	54,896
6. Regional Morazán		X	987	681,000
7. La Paz - Zacatecoluca		X	25	161,000
8. Reg. Ilobasco - Cabañas		X	104	38,700
9. La Unión		X	520	386,000
10. Los Platanares	X		16	45,362
11. La Palma	X		59	321,620
12. Unión Comunal Usuluteca		X	180	323,300
13. Camones		X	68	78,700
14. La Langoniza	X		45	142,856
15. Las Tablas		X	69	60,000
16. Los Zacatillos	X	X	45	93,770
17. La Cuscatleca	X	X	22	178,000
18. Santa Rosa	X		32	28,591
19. El Tigre	X		91	1,334,500
20. Garita Palmera	X		20	28,341
21. Las Delicias	X		35	85,661
22. Amapalita	X		12	3,000
23. Agua Salada	X		24	1,800
24. San Jorge	X	X	15	18,074
25. Valencia	X		8	2,671
26. La Paz	X		8	400
27. Agua Salada	X	X	13	8,141
28. Los Planes	X	X	8	3,128
29. San Jacinto	X		10	5,153
30. El Piche	X	X	11	435
31. El Cacao	X	X	14	994
32. Las Maderas	X	X	12	1,941
33. San Alejo	X		7	1,358
34. San Carlos			3	664
35. Las Lilas		X	11	536
36. El Tablón	X		6	1,400
37. Candelaria	X	X	16	225
38. El Tular	X		16	8,284
39. Alianza		X	30	1,680
40. Parilla Negra		X	19	13,585
41. La Burroña		X	5	2,213
42. El Llano Grande		X	24	1,440
43. San Bartolo (Rivera)	X	X	26	8,145
44. Flamenco Rio Seco	X	X	28	4,918
45. El Huisquil	X		10	2,100
46. Corozal #1	X		13	7,500
47. Corozal #2	X		25	11,597
48. San Jorge	X	X	9	1,583
<b>T O T A L</b>			<b>3907</b>	<b>5,337,950</b>

The Banco de Fomento Agropecuario has provided approximately 85% of the total financing to U.C.S. cooperatives for the 1975-76 crop season. Cooperatives with legal recognition deal directly with the BFA. Groups which do not yet have legal recognition have received production credit through the U.C.S. nationally based savings and loan cooperative organized in November 1973.

This cooperative serves as a mechanism through which U.C.S. donation financing is channeled to cooperatives and groups that are not subjects of credit from the BFA. U.C.S. in this way maintains a relatively high degree of flexibility in its ability to serve its member groups.

The multi-service cooperative functions in much the same way. U.C.S. channels donation funds to this cooperative just as it does to the savings and loan cooperatives. The multi-service cooperative proposes to provide the following services:

1. Advisory and financial assistance with land rental and purchase arrangements.
2. Provision of agro-inputs when not available from other sources (BFA).
3. Assistance with marketing.
4. Mechanized farm machinery services and transportation of agro-inputs.
5. Cooperative accounting and administrative services.
6. Cooperative education and promotion.

To date most of the services listed above have been provided to at least some of the U.C.S. cooperative members. Considerable assistance has been given with land rental and purchase agreements. Hybrid seed has been produced and distributed to U.C.S. members, limited assistance has been provided with grain marketing through arrangements of storage facilities and land preparation services have been provided to U.C.S. members using two tractors owned by the multi-service cooperative.

Both the savings and loan and multi-service cooperatives are rather unorthodox cooperatives. They are not at present separate autonomous entities since their management is one and the same with the management of U.C.S. They are going through a constant process of evolution. The principle guideline in this evolution is clearly how to get the most services to the largest number of campesinos.

The U.C.S. and the savings and loan and multiple service cooperatives maintain joint office facilities in Santa Tecla. The U.C.S. has a permanent staff of 13 employees based in Santa Tecla. They include:

- 1 Asesor Técnico who is in effect the manager of all U.C.S. operations.
- 4 Auxiliares de campo with diverse responsibilities including providing limited agricultural technical assistance, group promotion, general trouble shooting, etc.

- 2 Promotores responsible for cooperative promotional work.
- 4 Contadores who maintain the books of the U.C.S., and the two national cooperatives and provide limited assistance to cooperatives and groups.
- 1 Secretary
- 1 Janitor

Jointly this staff manages the U.C.S., the national savings and loan cooperative and the national multi-service cooperative. Lines of responsibility are not strictly drawn - indeed U.C.S. leaders are quick to point out that all employees must be versatile "jacks of all trades". In addition to these employees U.C.S. pays the salaries of approximately 15 field personnel assigned to the Centros Campesinos. These personnel include regional coordinators, bookkeepers and secretaries. Although in theory the 12 Ejecutivos Nacionales serve without remuneration, several of them have full-time responsibilities within U.C.S. and are paid.

The current leadership of the U.C.S. is proud of the advances they have made. They point to the success of the communal cooperatives which have acquired land during the past two years. This year much of U.C.S.'s attention is focused on a recently formed cooperative "El Tigre" near Ahuachapán which has purchased 805 manzanas of land with BFA financing. Plans for the future include continued efforts to negotiate purchase of land whenever possible. When outright purchase is not possible U.C.S. will assist to arrange favorable rental agreements. In the case that communal arrangements are not possible or groups prefer to work individually U.C.S. will encourage the individual campesinos to join "regional" cooperatives.

Several regional cooperatives have already been organized. As nearly as we are able to determine these regional cooperatives are being formed because of the need to decentralize the multi-service cooperative's activities. The members of the regional cooperatives are primarily campesinos who work their land individually.

#### CONTRACTOR'S OBSERVATIONS

We encountered severe difficulties gathering basic information from the U.C.S. on both its operations and those of the cooperative groups. Apparently no systems exist for gathering information on the status of base group operations. The decision making power is concentrated in a few key personnel and little authority is delegated.

The four U.C.S. sponsored cooperatives we visited within our observational zones had the following characteristics:

1. One was a communal cooperative; two were cooperatives whose members work individually; and the fourth combined members working communal land and members working individually.
2. The average age of the cooperatives is 3 years; the range is from one to eight years. Three of the four cooperatives are legally recognized.

3. The average membership is 103.
4. Average paid-in capital for three of the cooperatives is ¢3,212.
5. Average external financing is ¢413,615. Banco de Fomento Agropecuario (BFA) and the U.C.S. Multi-service cooperative are the sources. One cooperative received ¢946,000 for land purchase from BFA.
6. The principle service provided by the cooperatives is one-shot distribution of agro-inputs including, fertilizer, seed and insecticides. Communal cooperatives were also providing its members with access to land - one through purchase - the other through land rental.
7. One cooperative had a balance sheet for the previous month, one did not yet have a working accounting system, and no information was available for two cooperatives.
8. Three of the four cooperatives had no full-time paid employees. The communal cooperative which recently purchased land has an administrator provided by the BFA whose salary is paid for by the cooperative as part of the BFA loan package.

## SECTION VI:

### CAJAS DE CREDITO

The first Caja de Crédito was established in El Salvador in 1940 with the assistance of the Banco Hipotecario in an attempt to provide a source of low-cost credit for small and medium sized farmers and merchants. The Cajas de Crédito (called Cajas for short) are cooperative-like credit institutions modeled on the Raiffaissen rural credit associations of Germany.

In 1942 a special law commonly called the Ley de Crédito Rural was passed which laid down the legal framework for the establishment of the cajas and also provided for the formation of a "central cooperative" of cajas today called the Federación de Cajas de Crédito. The Federación was organized in 1943 with 16 cajas. By 1966 thirty-four were functioning with total membership of 31,629. As of April 1975 the Federación reported 39 cajas with total membership of 46,226. Annex D includes a list of the cajas, their membership, capital, reserves, etc.

The Federación differs from traditional second-level cooperatives organizations in that the Ley de Crédito Rural provides for participation of the state in the management and ownership of the Federación. The board of directors, called the Junta de Gobierno, is composed of five members - one elected by the board of directors of the Banco Hipotecario, one elected by the board of directors of the Instituto de Vivienda Urbana (IVU), one designated by the Minister of Economy, one designated by the Minister of Agriculture and one elected from among the representatives of the cajas. The Cajas in each department of the country elect two delegates to the annual general assembly. Initial share capital for the Federación was provided by the government of El Salvador, the Banco Hipotecario and the 16 founding Cajas.

Although the Federación is authorized by law to engage in traditional second-level cooperative activities such as promotion of cooperative education the Federación has evolved into an organization whose principal functions are the financing and fiscal control of the Cajas.

The Cajas themselves are in theory autonomous, but in practice their autonomy is largely academic due to the fact that the cajas have accumulated relatively little capital of their own and are subject to the requirements established by the Federación. Decision making is centralized in the Federación and virtually all loans granted by the individual cajas must first be approved by the Federación. The cajas agree to remit all funds recuperated every 10 days to the Federación as a condition for receiving financing.

The Federación's financial services are broken down into the following categories:

1. Crédito Rural - This category includes the bulk of all credit provided and is divided as follows:
  - a) Fomento Agropecuario - All agricultural credit including livestock production credit.
  - b) Operaciones Corrientes - Virtually all non-agricultural credit, including financing for small businesses, consumer credit, etc.
2. Crédito Popular - Short-term credit to finance inventories of market vendors in the public markets of the country.

Included apart from the above categories are what are called "complementary services" for agriculture which include (1) the supplying of fertilizers for sale to caja members; (2) pre-marketing of basic grains and sugar cane through the IRA.

The Federación also administers a credit program for government employees which is apart from the financial services to the Cajas. Table 10 indicates the value of those services provided to the cajas for the period June 1, 1974 to May 31, 1975.

TABLE 10

VALUE OF AGRICULTURAL CREDIT BY TYPES OF SERVICES;  
FEDERATION TO CAJAS DE CREDIT

June 1, 1974 to May 30, 1975

CREDITO RURAL	¢ 19,983,324
CREDITO POPULAR	3,996,125
FERTILIZER SUPPLY.	2,289,470
PRE-MARKETING OF BASIC GRAINS	537,181
PRE-MARKETING OF SUGAR CANE	<u>2,097,272</u>
	¢ 28,903,372
	=====

SOURCE: Derived from Federación de Cajas de Crédito Annual Report 1974-75.

The Federación's Annual Report contains no specific breakdown of the Category "Crédito Rural" between Fomento Agropecuario and Operaciones Corrientes. This breakdown however, can be derived based on the information presented in Table 11.

From Tables 10 and 11 we concluded that approximately 77% of the category Crédito Rural is for agricultural production. Adding the value of the agricultural "complementary services" to the total agricultural financing in Table 11 it is evident that the agricultural sector receives about 70% of the total value of Federación services to the cajas.

TABLE 11

AGRICULTURAL ACTIVITY FINANCED BETWEEN  
June 1, 1974 and May 31, 1975 - CAJAS DE CREDITO

<u>CROP OR OTHER ACTIVITY</u>	<u>MANZANAS/ ANIMALS</u>	<u>VALUE OF FINANCING</u>
Cotton	6,574	2,228,601
Rice	1,691	664,401
Coffee	1,045	608,947
Sugar Cane	2,777	1,111,187
Citrus Fruit	103	48,596
Beans	1,331	379,462
Bananas	41	32,363
Henequén	27	14,429
Sorghum	480	140,294
Corn	16,081	4,518,506
Melons	27	3,928
Potatoes	37	23,878
Watermelon	177	69,279
Tobacco	9	5,066
Tomatoes	18	12,401
Dairy Cattle	6,795	3,033,762
Hogs	1,106	351,371
Poultry	---	42,000
Honey Bees	---	18,150
Fish	---	2,500
<b>T O T A L</b>		<b>¢15,309,121</b>

SOURCE: Annex 24 1974-75 Annual Report - Federación de Cajas de Crédito.

It is rather difficult to determine the characteristics of the Caja member borrowers from the statistics published by the Federación. It is important to note that although total membership is 46,226, the total number of active members - those with loans outstanding - is much smaller. The reported number of loans outstanding as of April 30, 1975 was 16,500. Since some persons have more than one loan perhaps 15,520 presently have loans. The deputy manager of the Federación estimates that 60% of the borrowers are farmers. He would not hazard a guess as to how many of these are farmers owning 5 manzanas or less. We feel, based on our admittedly limited sample, that perhaps 35% of the farmer borrowers fall into this category. Therefore, of the total 46,226 members perhaps 9,600 are small farmers. Of the total active members as of April 30, 1975, perhaps 3,260 are small farmers. This is at best a guess and perhaps a conservative one. Time did not permit us during our field work to determine farmer-borrower characteristics by sampling an adequate number of borrowers. A random sampling of 121 borrowers in one Caja yielded the following information.

	<u>AVERAGE</u>	<u>RANGE</u>
1. Size of Loan	¢ 6,000	¢ 300. - ¢ 65,000
2. Number of manzanas owned by borrower	15	.5-111 manzanas
3. Percentage of borrowers owning 5 manzanas or less	40%	----

The Cajas de Crédito are authorized to grant agricultural loans in excess of ¢80,000. Interest rates vary depending on the source of financing. At present loans are being financed for between 7 1/2% and 12 1/2%. Banco Central de Reserva funds ear-marked for basic grain production carry 7 1/2% interest and a 3/4% sur-charge is levied to cover administrative costs. If the borrower is required to present his land title as guarantee he will incur legal fees which vary with the size of the loan. In one caja an ¢800 loan will cost the borrower ¢20 in fees. In recent years the cajas have begun to require that borrowers invest ¢10 for each ¢1,000. borrowed to insure increased capitalization of the caja.

It appears at first glance from the information presented in Table 12 that guarantee requirements are not stringent since 76.9% of the loans have the personal type guarantee. These are loans which require only co-signers. Table 3 is misleading since included in the personal category are 16,688 small loans with a total value of ¢2,626,000 granted to market vendors under the crédito popular program. Included in Table 3 are also loans to government employees totally approximately ¢5,500,000.

TABLE 12

GUARANTEE REQUIREMENTS FOR LOANS GRANTED BETWEEN

June 1, 1974 and May 31, 1975

EXCLUDING AGRICULTURAL COMPLEMENTARY SERVICES

<u>TYPE OF GUARANTEE</u>	<u>NO. OF LOANS</u>	<u>%</u>	<u>FINANCING</u>	<u>%</u>
PERSONAL	27,434	76.9	12,162,226	38.9
PRENDARIA	91	.3	512,662	1.6
REFACCIONARIA	461	1.3	1,562,670	5.0
HIPOTECARIA	7,683	21.5	17,051,331	54.5
<hr/>				
	35,669	100	31,288,889	100
=====				

SOURCE: Annex #22 1974-75 Annual Report Cajas de Crédito.

We were unable to determine what proportion of these loans carry the personal guarantee, but it is probably high. It is our feeling that the guarantee requirements for agricultural loans are more stringent than Table I2 indicates. This feeling was reinforced by our field investigations where all caja managers expressed preference for mortgage-type guarantees. Also we were told that co-signers are acceptable only when it is determined they have sufficient resources to cover the value of the loan adequately.

All loan requests are reviewed by the boards of directors of the individual cajas. If approved they are sent to the Federación where they are again reviewed. If approved, and given that the Federación has available funding, the loans are financed. The whole process can take as little as 5 days and as long as several months. Delays of longer than two weeks are generally due to lack of available funds.

The Federación supplied 4,353.1 tons of fertilizer to the Cajas for sale to members during the period from June 1, 1974 to May 31, 1975 with a total value of ¢2,289,470. Prices for ammonium sulphate fluctuated between ¢51.50 and ¢45.00; formula 16-20-0 between ¢51.50 and ¢45.00, and formula 20-20-0 fluctuated between ¢75.00 and ¢71.50.

The Federation staff includes a total of 145 persons of which approximately 33 can be considered field personnel. These include 13 "traveling" agronomists who each divide their time among three cajas. The agronomists' principle function is to supervise agricultural loans and to assure that approved investment plans are being carried out. Although these agronomists do give some technical advice, their principle function is credit supervision - not technical assistance. In addition to the agronomists a team of 16 auditors make periodic visits to the cajas to insure adequate administrative and financial control.

The Federación officials we interviewed stated that their overriding problem is how to meet the demand for credit. Apparently short-term agricultural credit for basic grain production is not a problem at this time due to the Banco Central de Reserva funding available for this activity. The difficulty however, is in securing sufficient long-term credit to meet the demands. Much of the energy of the Federation management is presently dedicated to the search for sources of long-term credit.

## CONTRACTOR'S OBSERVATIONS

The four Cajas de Crédito we visited had the following characteristics:

1. The average age of the Cajas is 24 years; all cajas are legally recognized.
2. The average Caja has 864 members; an average of 197 members presently have loans for agricultural purposes.
3. Average paid-in capital is \$47,430.
4. All cajas have the same standardized accounting system and it is kept current.
5. The average Caja has between three and four full-time employees including in all cases a manager.
6. All Cajas reported they charge 9% interest for agricultural loans.
7. All Cajas prefer garantía hipotecaria . We did not determine what percentage of the loans carried garantías hipotecarias in all Cajas visited, however, in one Caja more than 75% of the loans were with this type of guarantee.
8. The average rate of loan delinquency is 9.75% including all types of credit. One Caja had a loan delinquency rate of less than 1%.

SECTION VII:  
INDEPENDENT COOPERATIVES AND PRE-COOPERATIVES

As mentioned in the overview we encountered several cooperatives in our observational zones which are providing services to small farmers but which are not affiliated to any federation or sponsoring organization. Included in this group are cooperatives which have been promoted by the Instituto Salvadoreño de Fomento Cooperativo (INSAFOCOOP), the Banco de Fomento Agropecuario, the Agricultural Extension Service, the Catholic Church and other organizations. In some cases two or more organizations may have been involved in the original promotion. None of these cooperatives have ties with the U.C.S., FUNPROCOOP, or FEDECACES. There are a few cooperatives in this category which were promoted by FUNPROCOOP originally. They are no longer receiving significant services from FUNPROCOOP and do not appear on FUNPROCOOP's list of cooperatives presently been assisted.

As nearly as we were able to determine the only cooperatives in this category which are providing significant services to small farmers are those with financing from the Banco de Fomento Agropecuario. Thirty seven per cent of BFA financing for cooperatives this year went to cooperatives which fall into this category (See Table 15, Section IX). Figuring most prominently were cooperatives organized by INSAFOCOOP and the BFA.

We surveyed five independent cooperatives. They had the following characteristics:

1. Three were promoted by INSAFOCOOP; one by Extensión Agrícola, and one by the Banco de Fomento Agropecuario.
2. The average cooperative was organized 2 1/2 years ago and all have legal recognition.
3. The average membership is 106.
4. The average paid-in capital is ¢5,704.
5. Two of the cooperatives own land which is worked collectively.
6. All five cooperatives have loans from the Banco de Fomento Agropecuario. The average loan is ¢64,058.
7. The principle service provided by all five cooperatives is the provision of agro-inputs and in the case of the 2 communal cooperatives access to land.

8. Three cooperatives had balance sheets prepared for the previous month; two cooperatives did not have balance sheets for the previous four months.
9. None of the five cooperatives have a full-time employee. All employ part-time bookkeepers.

SECTION VIII: GRUPOS SOLIDARIOS

In an attempt to increase the numbers of small farmers subject to credit for production of basic grains the Banco de Fomento Agropecuario instituted a program of credit to small groups of farmers called grupos solidarios in April 1974. Modeled after the experiences of the Plan Puebla in Mexico, the grupos solidarios are groups of from 3 to 10 farmers who voluntarily form temporary associations for the purpose of receiving production credit from the BFA. The most distinguishing feature of the grupos solidarios is that the responsibility for the total loan lies with each member of the group individually. Since any or all members of the group can be held responsible for total or partial payment of the total loan there exists an incentive for each member of the group to repay his share and insure that his fellows do likewise. Each group elects two representatives from among themselves to act on the group's behalf to receive and register loan disbursements and serve as custodians of the harvested production until the loan has been cancelled. A third member of the group is elected to serve as the vigilante or overseer. It is his job to insure that all members of the group employ the inputs and any cash payments they may receive per the agreed upon plans and otherwise act in good faith.

In order to be a member of a grupo solidario a farmer must not farm more than 5 manzanas and must have been a resident of his community for at least three years prior to incorporation in to the group. Members of grupos solidarios can elect to work individually or collectively.

In theory the maximum a group can receive is C\$ 10,000. Interest is 6% and a .5% surcharge to defray the BFA's supervisory costs is also charged. In some cases the only guarantee is the future harvest. The BFA reports that to date almost all loans have been credit in-kind in the form of fertilizers, seed and insecticides. Negligible amounts of cash have been loaned for paying land rental, etc.

The initial results based on the BFA's experience with 142 grupos solidarios last year have been encouraging. The BFA reports almost 100% recuperation of these loans.

The program has been expanded considerably this year based on the favorable experience last year. In addition and administered apart are grupos solidarios organized by the BFA agents and Agricultural Extension Service agents which receive food rations donated by FAO in addition to the agro-inputs for basic grain production. The available statistics on the grupos solidarios are presented in Table 13 .

Bank officials are optimistic about the possibilities for good rates of recuperation this year also. One official thinks the program probably will be expanded by 15 to 20 percent next year. The principle constraint according to him is the limited number of field personnel available to supervise the program.

Table 13 1/

BANCO DE FOMENTO AGROPECUARIO GRUPOS SOLIDARIOS

	<u>1974</u>	<u>STRAIGHT CREDIT</u>	<u>1975</u>	<u>FAO FOOD DISTRIBUTION</u>
Number of Groups	142	292		505
Members	871	1,567		2,424
Financing	¢315,858	¢896,000		¢973,364
Manzanas Planted				
Corn	1,333.5	2,831		---
Sorghum	25	93		---
Beans	275.5	645		---
Rice	63	40		---
Vegetables	13.5	0		---

1/ SOURCE: Banco de Fomento Agropecuario

Intensive Survey of Grupos Solidarios, Sensuntepeque Area

Within our sample of eight agencies, the only area where the Programa de Producción Tecnificada de Granos Básicos is being implemented is in Sensuntepeque. One day was spent visiting principally with the agronomist from CENTA who, under terms of the Producción Tecnificada agreement, is working as Promoter with the Program. He is young, was graduated last year from ENA, and arrived in Sensuntepeque on April 11 to begin organizing grupos solidarios.

There are two types of Grupos Solidarios. First, the groups which are supervised directly by the bank agents. The bank agronomists reported that they rely pretty heavily upon FOCCO for promotion/organization of their groups. Second are the groups of the Programa de Producción Tecnificada which were organized and have been supervised by the Promoter mentioned above. Although, the Program is supposed to include collaboration by several groups, the Promoter indicated that the promotional and organizational responsibility for the Grupos Solidarios had been his. The Program team is supposed to include an organizational Promoter from FOCCO (one of several cooperating institutions and an educadora from either FOCCO or ICR). However, until now, of the intended three-person team, only the CENTA agronomist has materialized. INSAFOCOOP and IRA are also cooperating. Although loan repayment is expected in cash, Israel mentioned that since IRA is involved, possibly repayment may also be accepted in grain.

Promoter felt that mid-April was a late date to begin organization of grupos for the soon-approaching planting dates. However, interest was sufficient that he reported he had organized or nearly organized many groups which were not approved for loans due to the lack of adequate garantía. He reported that the early indication was that only the expected harvest would be required as collateral for the loan but that the bank in part required guarantees in the form of property titles or bills of sale for livestock. These requirements were somewhat flexible and were required only as ranging percentages of the amount of the loan to the group. Thus, one representative visited of a six-member group had provided the only guarantee required - title to his two or three manzanas of property. None of the other members had had any previous contact with the bank. This was the second year that the representative had worked with the bank. The previous year he had had a loan on an individual basis and despite the failure of his corn crop (due to root worms) he had been able to pay off his debt on time from other sources (he deals in livestock).

On the other hand, a widow and members of another group was visited and the promoter reported that this group was not very unido. Somebody, bank agent (or promoter), had required guarantees from all members of this group. This woman (or her late husband) had worked several years previously with the bank on an individual basis.

Generally, at least one of the members is required to post some guarantee.

This person is frequently the representante with whom the promoter (or bank agent) deals. The other members are frequently poorer, smaller farmers with no security other than their expected harvests. Thus, while most of the group may in fact be accepted on the basis of their crop, usually someone is required to secure the loan more concretely.

The promoter of the Programa Tecnificado de Granos Básico reported that he had been required (by the Bank) to have some kind of security posted for each of his groups. The two bank agronomists contacted reported that although most BFA groups had posted some collateral, a few had not.

The justification of the two kinds of grupos was theoretically that the poorest would be helped through the Programa and would receive the foodstuffs to help tide them over, advice from the home economics agents, Co-op expertise from FOCCO, etc. Promoter and educadora felt that in fact los más marginados had perhaps not been helped due to the security requirement or at least that there was not distinction between the economic levels of the two different groups. With interest rates at the same level, the technical assistance probably better, and the foodstuffs from FAO, it would certainly appear advantageous to be in a Programa de Granos Básicos grupo rather than in a BFA grupo. (Subsequently, in an interview with a BFA official we learned that a retroactive donation of FAO food will be made next month to the loan recipients in the BFA grupos as well.

#### Duties of Agents

Programa promoter reported that duties vary greatly according to the season. Thus at the beginning of the season, he was largely involved with promotion of groups; during the cropping period with technical advice and now largely "evaluation". This latter term is used to describe the activities which are carried out to insure loan repayment.

The bank depends largely upon FOCCO for organization and promotion and although they offer technical assistance, much of their activity appeared to be tied up with evaluation and concern for the bank's interests. Essentially all of the Promoters time is taken up with servicing his ten grupos. The three bank agents attend to 19 grupos, with the supervision shared between them and no particular division of labor. They are expected to make a minimum of 3 supervisory visits which are:

- 1a. Control de Inversión
- 2a. y 3a. Evaluación de Cosecha

Despite the supervisory visits, a practice was revealed which is that group members frequently borrow more inputs than they intend to use themselves in order to help somebody else. Thus, somebody with one manzana to plant, applies for two manzanas worth of inputs. The Program promoter did not report this to the bank; either the bank agents did not report this practice or they may have failed to recognize it - they are also young men, tend to move around a lot. They, the program promoter and farmers interviewed reported that the practice is very common.

#### Loan Repayment

Although the formal expectation is that the loan will be repayed with proceeds from the harvest, most farmers reported that this would be a last resort. Fattening and sale of a pig was reported to be the means by which many pay off their loan. Others have small sideline economic activities or work as laborers in the harvest of corn, coffee or cotton.

Although the grupos solidarios are unquestionably benefiting small farmers in the area visited, there appears reason to question whether they are helping the poorest of the poor farmers, for example, colonos and renters who have no security and who sell little or no agricultural produce. Probably some are helped in the extra-official way described above, but extension personnel felt that some responsible and worthy groups had not been granted credit by the bank. Because of the terrain, supervision/technical assistance is difficult and expensive to provide and the land capabilities-agricultural resources are low. Yet it is these most marginal farmers who most need the type of assistance the grupos solidarios are meant to provide.

Interview with Ing. Rafael Alvarenga, Official of Programa de Producción Tecnificada de Granos Básicos.

Ing. Alvarenga explained to us the difference between the grupos solidarios organized exclusively by BFA and those organized under the Programa de Granos Básicos. The latter is a joint effort on the part of CENITA, FOCCO, INSAFOCOOP, IRA, ICR (ISTA) and BFA to better the living standard of the small farmer. The programa consists of distribution of credit in-kind and FAO donated food stuffs to campesinos who produce up to 3 manzanas of corn. Technical assistance is the responsibility of CENITA which is supposed to assign 15 agronomists to the project. The BFA provides the administrative assistance and handles loan disbursements. FOCCO is charged with providing general organization and promotion of the groups. This program began in April of this year after finalization of FAO's food donation a special line of financing was made available for the project from the Banco Central de Reserva. This program should not be confused with BFA's continued financing of grupos solidarios which was begun in 1974.

Originally \$3,000,000 of Banco Central de Reserva funds were made available for the program for 1975 to be used to finance production inputs-fertilizers, seed and insecticides. The basic package of inputs for a manzana of corn consists in 2 qq. of 20-20-0, 2 qq. of ammonium sulphate, H-3 or H-5 hybrid corn seed and soil insecticide.

Ing. Alvarenga explained to us that the concept of the grupos solidarios grew out of the BFA's realization that some loan recipients were not making full use of their production credit, but were dividing the fertilizer seed and insecticide they received among friends or relatives. The BFA decided to capitalize on this informal grouping in hopes of channeling credit to the small farmer more efficiently (note that this version conflicts with the version told to us by Ing. R. Gaitán who explained that the concept was borrowed from the "Plan Puebla" in Mexico). This tendency of loan recipients to divide their inputs with other farmers continues. This practice is not encouraged by BFA since it results in lower than optimum use of inputs.

In addition to the inputs the farm family receives 1 qq. of yellow corn, 20 pounds of high protein flour 1 1/2 gallons of cooking oil and several cans of fish three times during the part of the year when local food grains are most scarce.

Although the original intent of the BFA was to require only the crop as loan security for grupos solidarios we found in Sensuntepeque that real guarantees (cartas de venta, escrituras, etc.) were regularly required in one area we visited. We were advised by Ing. Alvarenga that this case was the exception and that only 4 to 5% of the loans extended throughout the country had been secured with more than the harvest. Alvarenga felt that the extension agent in the community visited had been especially demanding since he sat on a committee with the CENITA educadora and the granos básicos promoter which gave initial approval to loan applications.

he was responsible for a reduced number of grupos solidarios being financed. Ing. Alvarenga explained that additional security requirements demanded in some areas by BFA branch managers were due to their desire to avoid loan delinquency.

The fact that only 33% of the total available credit was actually disbursed this year and the fact that the loan recuperation rate for the grupos solidarios was 96% last year leads us to question whether or not the loaning policies of the BFA are not overly stringent.

## SECTION IX: PUBLIC SECTOR INVOLVEMENT

### Instituto Salvadoreño de Fomento Cooperativo -(INSAFOCOOP)

The Ley General de Asociaciones Cooperativas passed in late 1969 provided for the creation of an autonomous government agency called the Instituto Salvadoreño de Fomento Cooperativo (INSAFOCOOP). INSAFOCOOP's mandate was given a mandate to:

1. Initiate, promote, coordinate and supervise the organization of cooperatives, federations and confederations.
2. Plan and promote policies for the development of cooperativism and to enlist the collaboration of the public and private sector in these activities.
3. Grant legal recognition to all cooperatives and federations.
4. Audit and otherwise inspect cooperatives and federations and impose any necessary sanctions.
5. Promote the creation and increase in sources of financing for cooperative associations.

INSAFOCOOP presently operates with an annual budget of approximately \$650,000 and has a staff of 96. Approximately 50 of these are field personnel. INSAFOCOOP's activities are coordinated from the central office in San Salvador and one regional office located in San Miguel.

To date, INSAFOCOOP's activities have included the legal registering of cooperatives, the sponsoring, organization, and execution of cooperative seminars and other educational activities, auditing and other accounting and administrative assistance to cooperatives and the promotion of new cooperatives.

As far as we were able to determine much of INSAFOCOOP's resources are dedicated to the process of initial organization of cooperatives and the legal registering process. Of lesser impact have been its educational and technical services to existing cooperatives. We also noted that considerable resources have been devoted to assistance to transportation cooperatives (taxi and bus lines) in San Salvador. This is perhaps in part due to easy access to these cooperatives relative to those in the agricultural sector. Communication and coordination between INSAFOCOOP and the private sector cooperative sponsoring agencies and federations is not well developed. We got the impression from our discussions with Dr. Ivan Castro, President of INSAFOCOOP that there is little coordination of activities between INSAFOCOOP and such organizations as FEDECACES, FUNPROCOOP and U.C.S.

As an example: one FEDECACES official told of the recent visit to FEDECACES offices of INSAFOCOOP staff members who were under the impression that FEDECACES was a government agency. There is an obvious need for more coordination between INSAFOCOOP and organizations such as FEDECACES, UCS, and FUNPROCOOP.

#### INSAFOCOOP and the Agricultural Sector

As indicated in Table 1 agricultural cooperatives promoted by INSAFOCOOP account for the second largest single group to receive financing from the Banco de Fomento Agropecuario. Sixteen percent of total BFA financing for cooperatives for the 1975 crop year went to these cooperatives. Judging from this INSAFOCOOP has been relatively active in the field of agricultural cooperatives promotion. Most of these are cooperatives of small farmers and medium size farmers who work individually. Their primary interest in forming a cooperative is to get access to production inputs - primarily fertilizers and improved seed. It is safe to say that the continued viability of these cooperatives depends on their ability to continue supplying agricultural inputs.

It should be noted that although INSAFOCOOP is often indicated as the organization chiefly responsible for promotion of a cooperative, in many cases the original group of interested farmers was promoted by the Agricultural Extension Service, the Banco de Fomento Agropecuario or the Catholic Church. In these cases INSAFOCOOP has been called in after the initial promotion to organize the cooperative formally.

We were not able to detect that INSAFOCOOP has any clearly enunciated policies regarding the direction the agricultural cooperative movement should take. The President of INSAFOCOOP, Dr. Ivan Castro, did mention that it was his feeling that the communal-type agricultural cooperatives represent a more viable solution to the problems of small farmers than cooperatives of individuals working independently. This viewpoint has, however, not been translated into any plans or guidelines for the activities of INSAFOCOOP in the agricultural sector. Basically INSAFOCOOP's modus operandi consists in responding to requests for assistance in the organization of cooperatives from groups desiring access to agro-inputs. Dr. Castro mentioned INSAFOCOOP's limited budget and lack of experienced personnel as the institution's chief constraints.

#### Banco de Fomento Agropecuario (BFA)

The role of the Banco de Fomento Agropecuario in the last two years has been decisive for small farmer organizations-most notably farmer cooperatives and the newly introduced grupos solidarios organized for the first time last year. Banco de Fomento financing of agricultural cooperatives and grupos solidarios in 1975 accounted for 56% of our estimate of the total value of services provided by all farmer organizations.

The BNF and Farmer Cooperatives

As can be seen from Table 13 the bank's participation in the financing of cooperatives increased sharply during 1974 and 1975. Financing for cooperatives in 1975 is more than 6 1/2 times what it was in 1973.

Table 14

BANCO DE FOMENTO AGROPECUARIO FINANCING OF  
COOPERATIVES AND PRE-COOPERATIVES

<u>YEAR</u>	<u>Nº OF COOPS OR PRE-COOPS</u>	<u>Nº OF MEMBERS</u>	<u>TOTAL FINANCING</u>
1966	4	162	¢ 47,675
1967	5	159	260,759
1968	5	267	379,129
1969	7	435	136,770
1970	9	551	769,145
1971	19	865	1,118,589
1972	14	761	790,456
1973	16	942	1,294,900
1974	66	5,292	4,428,355
1975	67	7,974	8,715,290

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SOURCE: Banco de Fomento Agropecuario

As is evident from Table 14 much of this financing during the last three years has been for basic grain production.

Table 15

BANCO DE FOMENTO AGROPECUARIO COOPERATIVE FINANCING

<u>CROP OR OTHER ACTIVITY</u>	<u>1 9 7 3</u>		<u>1 9 7 4</u>		<u>1 9 7 5</u>	
	<u>MZ.</u>	<u>FINANCING</u>	<u>MZ.</u>	<u>FINANCING</u>	<u>MZ.</u>	<u>FINANCING</u>
CORN	1,368	182,765	8,062	1,750,400	17,815	1,142,340
SORGHUM	96	5,375	1,226	66,460	1,678	146,650
BEANS	517	59,710	1,350	184,690	5,142	632,560
RICE	130	38,250	301	111,030	1,157	346,740
COTTON	490	348,000	1,298	1,345,295	540	658,440
SUGAR CANE	120	53,270	211	142,000	138	78,100
LIVESTOCK	--	26,500	--	119,140	--	140,350
MACHINERY AND EQUIPMENT	--	57,100	--	18,030	--	22,420
OTHERS (INCLUDING LAND PURCHASE)	--	523,930	--	691,310	--	1,565,690
<b>TOTAL</b>		<b>1,294,900</b>		<b>4,428,355</b>		<b>8,715,290</b>

SOURCE: Banco de Fomento Agropecuario.

Table 15 gives an indication of the affiliation, if any, of the cooperatives and groups with financing for the 1975 agricultural year. As is evident from Table 15 the Unión Comunal Salvadoreña cooperatives and groups were recipients of 52% of all BFA financing this year.

Table 16

BFA COOPERATIVE FINANCING  
1975-76

<u>PROMOTING AGENCY</u>	<u>Nº OF COOPERATIVES</u>	<u>TOTAL FINANCING</u>	<u>%</u>
U.C.S.	20	¢4,527,720	52
INSAFOCOOP	17	1,419,780	16
FUNPROCOOP	12	1,036,590	12
BFA	8	948,600	11
EXTENSION AGRICOLA	5	229,100	3
OTHERS	<u>6</u>	<u>553,500</u>	<u>6</u>
	68	¢8,715,290	100

SOURCE: Unpublished Banco de Fomento Agropecuario data.

The BFA in its "Normas de Financiamiento" para "Asociaciones Cooperativas y Grupos Pre-Cooperativos" (Annex E) states that any legally recognized cooperative or federation of cooperatives is eligible for bank financing. These cooperatives can be cooperatives of individual producers, communal or collective cooperatives, or cooperatives which employ a combination of both collective and individual production.

In theory the BFA will consider financing a wide range of agricultural enterprises and activities including production of basic grains and export crops, livestock production, product marketing, agro-input supply, and agricultural product processing.

In special cases the costs incurred in administering a cooperative can also be financed. The bank will consider financing up to 100% of the credit needs for a project. Alternatives for guaranteeing loans are va-

ried and include pledging of the harvest, pledging the paid-in capital of cooperative members, and mortgaging the titles to land and other assets.

In theory short, medium, and long term financing is available. Interest rates are those established by the Junta Monetaria or the Banco Central de Reserva and dispersement of loans can be either in cash or in kind.

To date the vast majority of the BFA loan assistance to cooperatives has been in the form of provision of fertilizers, improved seeds and insecticides for production of basic grains. Approximately 80% of the total financing for crops listed in Table 14 was in-kind provision of inputs. The remaining 20% consisted of cash loans to cover the costs of renting land, and paying labor. Also financed were land purchases, principally for U.C.S. cooperatives, and limited amounts for livestock and farm equipment. Most of this credit is out at from 6 to 6 1/2% interest to the cooperatives, who in turn charge their member borrowers 9%. In the majority of cases the principal guarantee is the harvest.

The BFA's participation in the development of cooperatives is not limited to the financing function. The Bank's Cooperative Section includes personnel assigned to provide some agricultural technical assistance as well as supervise the loans to cooperatives. Also included on the staff of the Cooperative Section are bookkeepers responsible for assisting the cooperatives with financial control procedures, and cooperative educators charged with carrying out, in coordination with agencies such as INSAFOCOOP, programs of general cooperative education. The BFA has in the past promoted cooperatives as is evident from Table 15. The Bank's present policy as enunciated by Ingeniero Gaitán is to leave promotion of new cooperatives to INSAFOCOOP. The BFA does envision continued involvement in providing assistance with basic cooperative education and financial control. The BFA recently hired away from FUNPROCOOP an agronomist to head its cooperative education programs.

The Cooperative Section of the BFA presently employs 38. Their positions are included in Table 16. Field personnel include six regional chiefs, 11 cooperative agents, 8 bookkeepers, 5 cooperative educators and 2 farm administrators assigned to specific projects. The country is divided into 6 regions for purposes of servicing the cooperatives financed and the Cooperative Section personnel for each region are based in one centrally located BFA agency in the region from which they service the cooperatives in the region.

Table 17BANCO DE FOMENTO COOPERATIVE SECTION PERSONNEL

<u>POSITION</u>	<u>NUMBER</u>	<u>QUALIFICATIONS/EDUCATION</u>
CHIEF OF SECTION	1	Ingeniero Agrónomo
SECRETARY OF SECTION	1	Secretary
GENERAL SUPERVISOR	1	Agrónomo.
CHIEF OF COOPERATIVE EDUCATION	1	Agrónomo - "Graduated in Cooperativism"
CHIEF OF PROJECTS	1	Agrónomo
CHIEF OF BOOKKEEPING	1	Bookkeeper
REGIONAL CHIEFS	6	Agrónomos
COOPERATIVE AGENTS	11	Agrónomos
BOOKKEEPERS	8	Bookkeepers
COOPERATIVE EDUCATORS	5	Profesores
PROJECT ADMINISTRATORS	2	Five or more years as farm administrator.

The BFA reports a high rate of recuperation of loans made during 1974-1975. Ing. Gaitán put the delinquency rate at 2.4%. Whether or not this figure includes refinancing was not determined. Ing. Gaitán estimates that new loans to cooperatives and groups will increase slightly next year to perhaps \$9,000,000. He stated that the principle constraint to continued increase in the financing of cooperatives was qualified personnel to service the loans and train the cooperative leaders.

Dr. Alfonso Rochac, technical advisor to the BFA was also interviewed and asked his opinion of the Bank's experience financing cooperatives and grupos solidarios. Dr. Rochac was cautiously optimistic about the involvement with cooperatives. He intimated that the success of the past couple of years may be largely due to the favorable prices of basic grains. Dr. Rochac was more enthusiastic about the possibilities of the grupos solidarios.

## SECTION X:

C O N C L U S I O N SA. Numbers of Small Farmers Associated with Base Groups

An estimated total of 20,434 small farmers in El Salvador are associated with rural base groups 1/ (See Table 1). This total represents 10.6% of the 192,850 farm families that are estimated to comprise the target group. 2/

Although the percentage of the target group associated with base groups (farmers organizations) is low, the absolute numbers affected is impressive especially if judged in terms of the total resources, principally agricultural credit, that are currently available to this sub-sector. Of the 27,025 small farmers who are the beneficiaries of agricultural credit from institutional sources, in 1975, 76% received this service through a base group.

B. Trends

## 1. Recent organizational trends.

Numbers of farmers associated with base groups, numbers of base groups, and the amount of agricultural credit channeled through such groups have risen rapidly in the last two years. These increases are almost entirely due to the actions taken by the BFA over this period (See Table 13, page ). In 1972, BFA's predecessor ABC provided ¢790,456 in agricultural credit to 14 farmers cooperatives. In the current year BFA has loaned ¢8,715,290 to 67 farmers cooperatives and in addition ¢1,870,000 to 797 grupos solidarios.

1/ For the purpose of this review a base group was defined as any locally based and formally organized group which provides an economic service to its members or associates.

2/ Numbers of farm families which have access to less than 2.0 Hectares (3.5 manzanas) of land; From CONAPLAN data presented in USAID/El Salvador memorandum dated February 24, 1975.

TABLE 18NUMBER SMALL FARMERS RECEIVING AGRICULTURAL CREDITFROM INSTITUTIONAL SOURCESINDIVIDUALLY AND THROUGH BASE GROUPS

<u>SOURCE OF CREDIT</u>	<u>NUMBER</u> <u>SMALL FARMERS</u>	<u>% TOTAL</u>	<u>AGRICULTURAL</u> <u>CREDITS 1975</u>
Base Groups <u>1/</u>	<u>1/</u> 20,434	76%	¢18,943,000
Individual Loans <u>2/</u>	6,591	24%	6,303,000
<b>T O T A L S</b>	<b>27,025</b>	<b>100%</b>	<b>¢25,246,000</b>

1/ Table 1, page

2/ Informe Crediticio, Sección Sucursales, 30 de Junio, 1975, BFA.

Meanwhile FEDECACES and FUNPROCOOP have had to curtail their lending activities to small farmers because of the high rates of loan delinquency that were incurred in their expansionist phases. FEDECACES is currently only providing agricultural credit to small farmers who operate in the upper range of "smallness". FUNPROCOOP has the additional problem that it has suffered a substantial decapitalization as a result of its ill-fated agro-business ventures. The CAJAS DE CREDITO have not been instrumental in reaching increasing numbers of small farmers because their loan guarantee requirements are too severe.

2. Trends in Financing.

The base groups and national organizations serving small farmers have not to date generated any capital internally. Although it is impossible to isolate supporting data from the annual financial reports of the national organizations involved, in the absence of positive claims, it is safe to assume that historically losses from operations have exceeded gains in capital generated from members capital contributions. The movement is almost completely dependent upon outside sources of capital. Growth in services provided to small farmers through base groups is directly proportional to the disposition of public-sector loans or international grant funds.

Current sources of funding for the base groups encompassed in this study is estimated to be.

TABLE 18

BFA	¢ 10,590,000	56%
BANCO CENTRAL	5,310,000	28%
INTERNATIONAL GRANT FUNDS	2,300,000	12%
USAID	800,000	4%
T O T A L	¢ 19,000,000	100%

**NOTE:** No trend can be identified at the present time that indicates that B.F.A. favors one type of base group over another. B.F.A. loans have moved towards the active base groups and to those which can offer most loan security. However, BFA (or the GOES through BFA) clearly holds the power to favor one or another type of farmer's organization, if it should so choose.

**KEY**  
**CONCLUSION**

Table 19

DISPOSITION OF B.F.A. DIVISION DE FOMENTO ECONOMICO Y SOCIAL LOAN FUNDS

1 9 7 5

Direct to Small Farmers	¢ 6,303,000	37%
Through Grupos Solidarios	1,870,000	11%
Through Coops and Pre-Coops	<u>8,715,000</u>	<u>52%</u>
T O T A L	¢ 16,888,000	100%

C. SERVICES PROVIDED BY FARMERS ORGANIZATIONS AND COSTS

Our survey, talks with key managers, and review of reports, all, indicate that the only services of any consequence in the economic area 1/ being extended to small farmers by farmers organizations at the present time are those of providing them with agricultural production credit for renting land and purchasing fertilizer and seed, or of providing them with the collective power to purchase or lease land. The dominant needs of the small farmer are access to land and the means to purchase the outside inputs which must be applied at seeding time and shortly after. The survival of any farm organization which cannot meet one or both of these needs is in doubt.

The conclusions we draw from and about this situation are the following:

- That the two basic needs, land and production credit, are so dominant that other needs such as technical assistance, marketing services, etc., are insignificant by comparison.

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1/ U.C.S. for instance, which received 52% of all BFA financing for cooperatives this year, has skillfully employed its Interamerican Foundation grant funding to guarantee as much BFA financing as possible.

- That the private sector has been effective in meeting other needs. This is a conclusion we reached in a companion study.
- That farmers organizations have been ineffective as instruments for providing other services. 1/ FUNPROCOOP is a good case in point; the only one of its "businesses" which operated profitably was its production credit in-kind program. FUNPROCOOP attributes the loss of many of its local affiliates to the circumstance that it was forced to restrict its production credit in-kind program.
- The costs of conducting the transactions involved in providing the small farmer with the two things that matter most to him, access to land and the input package (fertilizer, certified seed, and agricultural chemicals) are not inherently high.
  - In straight land rental, the burden of the transaction is between the farmer and the landlord.
  - In a land purchase transaction, transaction costs on an amortized basis should be low.
  - The one-stop input package is a transaction of sufficient volume even at the level of a small base group that substantial efficiencies of scale can be realized.

The one-shot pre-season credit in-kind package that the farm organizations and the BFA "deal-in" is good business. (The independent retail farm stores have complained about losing this business 3/). Eventhough the client is a small purchaser, the "package" represents as much as 90% of what he will spend in the entire year on production inputs 2/. For example, the combined needs of 50 corn farmers averaging 2 manzanas of corn each represents a potential one-shot pre-season sale of \$18,125.00 worth of agricultural inputs at current prices.

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1/ A notable exception to this statement is that in the non-economic area U.C.S. and FUNPROCOOP have provided significant services in leadership training. U.C.S. has also provided valuable legal assistance with problems related to land rental and purchase agreements.

2/ The Corn Package of Pre-plant inputs/Manzana

25 lb. H-3 Hibred seed corn	\$ 105.00/qq	\$ 26.25
1 1/2 sacks 20-20-0 Fertilizer	55.00/sack	82.50
1 1/2 sacks Ammonium Sulphate Fertilizer	35.00/sack	52.50
50 lb. Volaton granular insecticide	40.00/100 lbs.	20.00
	TOTAL/MANZ.	\$181.25

3/ Companion Report Básico, Inc.: The Agricultural Input Marketing System in El Salvador, Sept. 1975. For USAID/El Salvador.

In private hands the gross sales margin in this example transaction would be 9% or approximately ¢1,600.00. As a credit in-kind transaction the gross sale margin, including interest charges (7% BFA) would be approximately ¢3,100.00. Assuming a 2.4% <sup>1/</sup> bad debit allowance, ¢2,600.00 would be available to cover the costs of this example one-shot transaction. What this kind of example suggests is that it is not necessary to assemble farmers in large units to take advantage of economies of size in the purchase of key production inputs.

We see no urgent economic need at the present time for farmers organizations to establish large regional service cooperatives.

FUNPROCOOP and U.C.S. have plans to become involved in storage and marketing activities. Whether or not those services are needed, and whether or not they will be successful if initiated depends more than anything else on how effective IRA is in maintaining basic grain prices at support levels. At the time of writing this report (fourth week Sept. 1975) IRA announced that it was initiating purchases at support price levels of ¢19.00 for corn, ¢64.00 for beans and ¢16.00 for sorghum at country buying points. At these prices, even after allowing for the margins of a trucker-buyer delivering the grain to IRA, more effective grain marketing is not likely to be one of the small farmers immediate expressed needs. As things currently stand in El Salvador, the only way farmers organizations should perform a significant service for their members in grain marketing would be to be designated as official IRA buying stations (this practice has been employed by INDECA, IRA's counterpart in Guatemala)

#### D. Diversity in the Sector

None of the organizations subject to this review should be written off as an instrument for improving the condition of low-income farmers. Collectively, albiet with public sector financial support, they represent the means by which the majority of small farmers are currently receiving production credit.

Within the context of the definition of smallness employed in this study the CAJAS DE CREDITO and FEDECACES were judged to be principally serving farmers at the upper range in size of operations in the case of the CAJAS, serving medium sized farmers (2-10 hectares). However, these two organizations can be viewed positively as the potential instruments for performing the credit-rationing function to the small-but-not-poor farmer. The principle constraints to their performing this role according to their respective managers are:

- Reducing bad-debt ratios on agricultural loans (especially true for FEDECACES)
- Increasing interest rate spreads on agricultural loans beyond those presently permitted by the Banco Central regulations.

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1/ BFA 1974

— Increase in long term Banco Central financing (CAJAS only).

FUNPROCOOP in spite of its ups and downs is probably in closer contact with the poorest farmers than any other national organization. FUNPROCOOP historically has been the organization that has promoted cooperatives and provided leadership training to campesinos (concientización). Its influence is not in as great a decline as Table 7 indicates 1/

U.C.S. has chosen to emphasize land acquisition as its predominant objective. The U.C.S. "collectives" together with the parcelizations promoted by the private company Parcelizaciones Rurales, S.A. can be compared as experiments in private agrarian reform. The two in turn can be compared with the old ICR projects. Before the issue of "collectivization" is pushed off on the campesino 2/ it might be wise to evaluate the U.C.S. production cooperatives and the privately financed parcelization schemes..

The national level cooperatives which U.C.S. has created are in a constant state of evolution in an attempt to remain as responsive to the needs of the affiliated base groups as possible. They may be poorly managed, an assumption we drew from the fact that decision making power is concentrated in a few key personnel and financial control and data gathering systems are inadequate. We hope this is not the case because they are challenging many of the doctrinaire cooperative approaches (CLUSA; CUNA, ACDI) 3/

The modus vivendi represented by the cooperatives we have classified in this study as independents would indicate that when affiliation with a national organization is not a prerequisite to receiving financial assistance many farmers cooperatives choose to operate independently. The existence of these cooperatives challenges the need for nationally based organizations in terms of serving farmers economic needs. The need for nationally based organizations may be political rather than economic.

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1/ Table 7, page shows drop in number of FUNPROCOOP affiliates and claimed members from 63 and 12,430 in 1972, to 58 and 3,721 in 1975.

2/ The new law for Agrarian Transformation encourages the rationalization of land use through production cooperatives.

3/ The Instituto Interamericano de Ciencias Agrícolas (IICA) has recently been contracted by the Interamerican Foundation to do a comprehensive study of the U.C.S. and its cooperative activities.

The Grupos Solidarios are practically non-organizations being temporary associations (one agricultural season) put together for a single purpose "buying" production credit. They potentially represent the least cost, most-easily managed, and least-doctrinaire instrument for providing one essential service, production credit, to large numbers of small farmers.

In terms of their place in the organizational spectrum reviewed in this study, the Grupos Solidarios at one and the same time provide small farmers with an alternative to cooperative membership as a means of securing key services, and they provide the cooperative movement with ready-made pre-cooperatives. As one coop educator in the BFA put it: A Grupo is a good training ground for future cooperative members because it enables individuals with a limited education to work together in a situation where success is not contingent upon mastering sophisticated systems. There is danger that the grupos solidarios' system will be over-administered.

#### E. Competition Within the Sector

The organizations or systems 1/ represented in the Farmers Organizations institutional spectrum in El Salvador can be considered as contending forces in a big potential market that is defined by the needs of the target group. The best test of their institutional capacities to meet these needs is a competitive one. The key to maintaining competitive conditions in this "market" is to ration scarce credit fairly (equitably) If the BFA maintains a policy of impartiality and of responding to needs at the base (local) group level, the competitive condition will be maintained and at no loss in total resource flow to the target group.

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1/ The Grupos should be considered a system rather than an organization.

## SECTION XI:

### R E C O M M E N D A T I O N S

1. No USAID funds should be channeled directly to Farmers Organizations. This recommendation assumes that the BFA will continue its present open lending policy toward base groups.
2. No restrictions other than economic status of the farmer-borrower should be placed on loans which might be made to BFA for the purposes of providing credit to low-income farmers.
3. There is no basis in experience in El Salvador to favor one existing Farmers Organization over another as the most effective instrument for channeling services to low-income farmers. The small farmers' interests will best be served if there is institutional competition to serve his needs. The best assurance that a competitive situation will persist is for the GOES to maintain an impartial policy in the BFA with respect to credit rationing in the target sector.
4. USAID should turn down any requests for assistance to set up regional cooperatives. No loan or grant funds should be employed to bring in cooperative advisors. An exception would be an independent 1/ management advisor whose services would be made available as requested to any or all of the Farmers Organizations.
5. The expansion of the Grupos Solidarios, should be encouraged both as the potentially most economical means of extending credit to very low-income farmers and as an alternative to cooperatives. Grant funded technical assistance is recommended to help develop systems for reducing the costs of extending and recuperating grupos solidarios loans.

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1/ Independent of the organizations that have historically provided USAID with coop advisory services.

ANNEX A

COOPERATIVES AFFILIATED TO FEDECACES  
AUGUST 1975

COOPERATIVE .

1. TRABAJADORES DE IUSA	San Salvador
2. LOURDES	" "
3. SERVICIOS MULTIPLES DEL COLEGIO MEDICO	" "
4. MAGISTERIAL SALVADOREÑA	" "
5. ODONTOLOGOS SALVADOREÑOS	" "
6. PROFESIONALES SALVADOREÑOS	" "
7. VENDEDORES DE LOS MERCADOS DE SAN SALVADOR	" "
8. SALVADOREÑA	" "
9. LIBERTAD	" "
10. EMPLEADOS DEL INSAFI	" "
11. SECCION RECOLECCION DE BASURA	" "
12. ELECTRA	" "
13. EMPLEADOS DEL RAMO DE HACIENDA	" "
14. COMUNAL SAN CRISTOBAL	Villa San Marcos, San Salvador.
15. PILOTOS AUTOMOVILISTAS	Ciudad Delgado, San Salvador
16. COMUNAL AGRICOLA ALFONSO VERDUZCO	Ciudad Aguilares, San Salvador
17. TRECE DE OCTUBRE	Santa Tecla, La Libertad
18. EMPLEADOS DEL CENTRO NACIONAL DE TECNOLOGIA AGROPECUARIA	Santa Tecla, La Libertad

COOPERATIVE

19.	MAGISTERIAL ARTURO AMBROGI	Cantón Lourdes, La Libertad
20.	FABRICA CORINCA	Quezaltepeque, La Libertad
*21.	AGRICOLA OPICANA	San Juan Opico, La Libertad
*22.	COMUNAL SAN JUAN ISIDRO	San Pablo Tacachico, La Libertad
*23.	ZAPOTITAN	Santa Tecla, La Libertad
*24.	COMUNAL DE LA REINA	Villa de La Reina, Chalatenango
*25.	AGRICOLA COMUNAL DE NUEVA CONCEPCION	Nueva Concepción, Chalatenango
*26.	AGRICOLA COMUNAL DE AGUA CALIENTE	Agua Caliente, Chalatenango
27.	COSMOS	Santa Ana
28.	EMPLEADOS MUNICIPALES DE SANTA ANA	" "
29.	EMPLEADOS DE SALUD PUBLICA DE SANTA ANA	" "
30.	MERCADO MUNICIPAL N°1 DE SANTA ANA	" "
31.	TRABAJADORES DEL BENEFICIO LA MICA	" "
32.	SEÑORAS DEL MERCADO MUNICIPAL 32 DE SANTA ANA	" "
33.	SIHUATEHUACAN	" "
34.	COMUNAL DE METAPAN	Metapán, Santa Ana
35.	MAGISTERIAL EL ESFUERZO	Sonsonate
*36.	COMUNAL AGRICOLA PARAISO DE OSORIO	Paraíso de Osorio, La Paz
37.	COMUNAL VICENTINA	San Vicente

COOPERATIVE

38.	MAGISTERIAL DOCTOR JOSE ANTONIO RUIZ	San Sebastián, San Vicente
*39.	COMUNAL DE TECOLUCA	Tecoluca, San Vicente
40.	CENTRAL USULUTECA	Usulután
41.	COMUNAL DE PUERTO EL TRIUNFO	El Triunfo, Usulután
42.	MIGUELEÑA	San Miguel
43.	EMPLEADOS DE ANTEL DE SAN MIGUEL	San Miguel
44.	COMUNAL DE SAN JORGE	" "
45.	COMUNAL DE PERQUIN	Perquín, Morazán
*46.	UNION TRABAJADORES CAMPESINOS	Corinto, Morazán
47.	COMUNAL DE LA UNION	La Unión
48.	CAPITANIA DEL PUERTO DE LA UNION	Puerto La Unión, La Unión
49.	AGRICOLA COMUNAL DE SAN ALEJO	San Alejo, La Unión
50.	COMUNAL AGROPECUARIA DE OMEGA	Cantón Olomega, La Unión

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\* Rural Cooperative with FEDECACES financing.

ANNEX B

REQUISITOS PARA SER AFILIADA A FEDECACES

Se aceptarán como afiliadas, a aquellas cooperativas que tengan las siguientes características:

- a. Que tengan posibilidades de potencialidad de asociados, de por lo menos 500 miembros;
- b. Que su localización geográfica esté ubicada en una cabecera departamental o en una ciudad o sector de importancia económica para el país;
- c. Si la aspirante pertenece a instituciones del sector privado o público, deberá ser o tener posibilidades de ser una cooperativa de grandes alcances socio-económicos;
- d. Que tenga o esté dispuesta a implantar un sistema administrativo y de control interno aceptable, de acuerdo a los patrones establecidos por la Federación;
- e. Que sus dirigentes y empleados estén dispuestos a recibir y a poner en práctica la capacitación y recomendaciones de la Federación; y
- f. Que hagan uso efectivo de los servicios de FEDECACES.

SOURCE: FEDECACES "Plan para el Período 1975-76".

ANNEX CCOOPERATIVES ASSISTED BY THE FUNDACION PROMOTORA  
DE COOPERATIVASFUNPROCOOP AUGUST 1975

<u>NAME COOPERATIVE OR GROUP</u>	<u>MEMBERS</u>	<u>LOCATION</u>
1. Coatepeque	438	Santa Ana
2. Masahuat	42	Santa Ana
3. Santa Rosa Guachipilín	43	Santa Ana
4. Pinalón	22	Sonsonate
5. Santo Domingo	32	Sonsonate
6. Chalchuapa	20	Santa Ana
7. Apaneca	20	Ahuachapán
8. El Paraíso	32	Santa Ana
9. Obrajuelo	64	Chalatenango
10. San Lorenzo	34	Santa Ana
11. Chilcuyo	34	Santa Ana
12. Cara Sucia	50	Sonsonate
13. Metapán	66	Santa Ana
14. Aldea Bolaños	35	Santa Ana
15. El Congo	75	Santa Ana
16. Tamanique	23	La Libertad
17. Santiago Nonualco	32	La Paz
18. Guazapa	45	San Salvador
19. Nahuizalco	12	Sonsonate
20. San Sebastián	25	San Vicente

<u>NAME COOPERATIVE OR GROUP</u>	<u>MEMBERS</u>	<u>LOCATION</u>
21. Ahorro y Crédito Señoras del Mercado	110	Santa Tecla, La Libertad
22. La Esperanza	220	San Pablo Tacachico, La Libertad
23. Ahorro y Crédito Santa Rosa	47	Ciudad Arce, La Libertad
24. Producción Agrícola El Milagro	30	Santo Tomás, San Salvador
25. Ahorro y Crédito Comasagua	35	Comasagua, La Libertad
26. Ahorro y Crédito Guayabal	46	San José Guayabal, Cuscatlán
27. Ahorro y Crédito Juan XXIII	45	Tonacatepeque, San Salvador
28. Ahorro y Crédito Ciudad Arce	25	Ciudad Arce, La Libertad
29. Ana Guerra de Jesús	144	San Vicente
30. San Sebastián P.A.	262	San Vicente
31. Santa Bárbara	145	Sensuntepeque, Cabañas
32. San Antonio	73	
33. San Juan Los Planes	57	Quezaltepeque, La Libertad
34. San Pedro Perulapán	18	San Pedro Perulapán, Cuscatlán
35. Montecarmelo	12	El Carmen, Cuscatlán
36. San Pablo	23	San Ramón, Cuscatlán
37. Ciudad Barrios	15	Ciudad Barrios, San Miguel
38. Upatoro	59	Chalatenango
39. Las Mercedes	38	Chalatenango

<u>NAME COOPERATIVE OR GROUP</u>	<u>MEMBERS</u>	<u>LOCATION</u>
40. Los Ranchos	27	Chalatenango
41. Las Flores	78	Chalatenango
42. Arcatao	51	Chalatenango
43. El Zapotal	23	Chalatenango
44. La Laguna	30	Chalatenango
45. Dulce Nombre de María	44	Chalatenango
46. Quitasol	45	Chalatenango
47. Las Vueltas	41	Chalatenango
48. El Portillo	33	Chalatenango
49. Talchaluya	21	Chalatenango
50. La Ceiba	16	Chalatenango
51. San Juan Cojutepeque	25	Cojutepeque, Cuscatlán
52. La Estrella	291	Ilobasco, Cabañas
53. San Luis	180	Perulapía, Cuscatlán
54. Santa Catalina	405	Usulután, Usulután
55. San Cristóbal	80	San Cristóbal, Cuscatlán
56. Nuevos Horizontes	15	Suchitoto, Cuscatlán
57. San José Potrerillos	15	Nombre de Jesús, Cabañas
58. Monte San Juan	20	Monte San Juan, Cuscatlán

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TOTAL = 3988

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## ANNEX D

## Anexo No. 15

**CUADRO DEMOSTRATIVO Y COMPARATIVO DE SOCIOS Y  
CAPITAL SOCIAL DE LAS COOPERATIVAS  
AFILIADAS AL 30 DE ABRIL DE 1975**

	Nº Socios	Capital Social	Reservas Netas	Capital Neto	Valor de una Acción
01-Ahuachapán .....	1,953	¢ 104,700.00	¢ 48,718.89	¢ 153,418.89	¢ 24.65
02-Atiquizaya .....	336	¢ 20,460.00	¢ 12,517.72	¢ 32,977.72	¢ 18.12
03-Santa Ana .....	708	¢ 48,920.00	¢ 20,378.47	¢ 69,298.47	¢ 14.17
04-Chalchuapa .....	1,768	¢ 83,190.00	¢ 71,195.68	¢ 154,385.68	¢ 18.58
05-Metapán .....	450	¢ 30,050.00	¢ 28,882.30	¢ 58,932.30	¢ 19.61
06-Juayúa .....	814	¢ 39,490.00	¢ 18,959.94	¢ 58,449.94	¢ 14.29
07-Sonsonate .....	3,319	¢ 128,640.00	¢ 123,627.24	¢ 252,267.24	¢ 19.61
08-Izalco .....	543	¢ 30,700.00	¢ 34,047.92	¢ 64,747.92	¢ 21.09
09-San Julián .....	600	¢ 26,160.00	¢ 88,268.67	¢ 94,428.67	¢ 38.10
10-Chalatenango .....	577	¢ 30,330.00	¢ 53,583.45	¢ 83,913.45	¢ 27.67
11-San Ignacio .....	558	¢ 27,070.00	¢ 27,016.28	¢ 54,086.28	¢ 19.98
12-El Chilamatal .....	2,303	¢ 80,650.00	¢ 77,394.48	¢ 158,044.48	¢ 19.60
13-Quezaltepeque .....	1,608	¢ 67,950.00	¢ 49,747.08	¢ 117,697.08	¢ 17.32
14-Colón .....	1,922	¢ 65,120.00	¢ 62,368.73	¢ 127,488.73	¢ 19.58
15-Coop. Joyeros y Relojeros	313	¢ 164,290.00	¢ 651,252.26	¢ 815,542.26	¢ 49.64
16-Tonacatepeque .....	719	¢ 42,910.00	¢ 106,545.31	¢ 149,455.31	¢ 34.83
17-San Martín .....	2,086	¢ 147,020.00	¢ 228,292.87	¢ 375,312.87	¢ 25.53
18-Cojutepeque .....	1,312	¢ 71,990.00	¢ 112,411.65	¢ 184,401.65	¢ 25.61
19-Tenancingo .....	785	¢ 38,820.00	¢ 24,922.81	¢ 63,742.81	¢ 18.42
20-Suchitoto .....	1,014	¢ 64,610.00	¢ 61,360.73	¢ 125,970.73	¢ 19.50
21-Ilobasco .....	906	¢ 57,690.00	¢ 34,204.96	¢ 91,894.96	¢ 15.93
22-Sensuntepeque .....	1,508	¢ 87,530.00	¢ 88,058.31	¢ 175,588.31	¢ 19.83
23-San Sebastián .....	564	¢ 30,330.00	¢ 32,497.20	¢ 62,827.20	¢ 20.72
24-San Vicente .....	2,041	¢ 62,620.00	¢ 112,210.95	¢ 174,830.95	¢ 27.94
25-San Pedro Nonualco .....	728	¢ 32,630.00	¢ 7,404.24	¢ 25,225.76	¢ 7.73
26-Santiago Nonualco .....	896	¢ 69,430.00	¢ 46,655.48	¢ 116,085.48	¢ 16.72
27-Zacatecoluca .....	2,305	¢ 135,700.00	¢ 160,367.31	¢ 296,067.31	¢ 21.82
28-Berlín .....	894	¢ 50,740.00	¢ 119,340.76	¢ 170,080.76	¢ 33.52
29-Santiago de María .....	1,164	¢ 53,770.00	¢ 61,619.73	¢ 115,389.73	¢ 21.46
30-Jucuapa .....	953	¢ 37,740.00	¢ 21,009.38	¢ 58,749.38	¢ 15.57
31-San Agustín .....	827	¢ 39,810.00	¢ 22,450.12	¢ 62,260.12	¢ 15.64
32-Usulután .....	2,406	¢ 126,180.00	¢ 178,134.10	¢ 304,314.10	¢ 24.12
33-Santa Elena .....	493	¢ 15,970.00	¢ 5,964.66	¢ 21,934.66	¢ 13.73
34-Concepción Batres .....	1,181	¢ 68,900.00	¢ 82,290.27	¢ 151,190.27	¢ 21.94
35-San Miguel .....	2,431	¢ 86,920.00	¢ 127,160.48	¢ 214,080.48	¢ 24.63
36-Ciudad Barrios .....	162	¢ 8,800.00	¢ 4,951.11	¢ 13,751.11	¢ 15.63
37-San Francisco Gotera .....	982	¢ 72,110.00	¢ 40,981.65	¢ 113,091.65	¢ 15.68
38-La Unión .....	1,381	¢ 60,960.00	¢ 45,700.07	¢ 106,660.07	¢ 17.50
39-Santa Rosa de Lima .....	720	¢ 57,300.00	¢ 28,795.88	¢ 86,095.88	¢ 15.03
Totales del Pte. Ejercicio...	46,228	¢ 2,468,200.00	¢ 3,082,476.44	¢ 5,550,676.44	¢ 22.49
Totales del Ejer. Anterior..	44,215	¢ 2,243,810.00	¢ 2,735,344.09	¢ 4,779,154.09	¢ 22.19
Diferencias .....	2,011+	¢ 224,390.00+	¢ 347,132.35+	¢ 771,522.35+	¢ 0.30+

FEDERACION DE CAJAS DE CREDITO

ANNEX E

NORMAS DE FINANCIAMIENTO PARA ASOCIACIONES  
COOPERATIVAS Y GRUPOS PRE-COOPERATIVOS

1.0. POLITICAS

- 1.1 OBJETIVOS:** Se reconoce que la organización de los agricultores en asociaciones cooperativas, es marco adecuado --- para que el Banco de Fomento Agropecuario, pueda canalizar recursos en forma de créditos y asistencia técnica, -- de modo que los sectores más débiles del medio rural, -- aumenten su producción y sus ingresos.

El sistema de cooperativas del B.F.A., será además un medio para facilitar una racional comercialización de cosechas, distribución de insumos y equipos de producción a los agricultores.

El Banco capacitará a los miembros de las asociaciones -- cooperativas y grupos pre-cooperativos, que financie.

Es preciso dar atención prioritaria a las asociaciones -- cooperativas y grupos pre-cooperativos, dedicados a la -- producción de granos básicos, hortalizas, ganadería y pesca.

Tomando en cuenta la experiencia de la Administración de Bienestar Campesino en el financiamiento a las cooperativas, es conveniente observar la mayor cautela en el otorgamiento de los créditos, a efecto de canalizarlos a organizaciones autorizadas por INSAFOCOOP, que aseguren la -- buena administración de los mismos y la promoción social y económica de sus asociados.

Las políticas y normas contenidas en el presente documento, serán desarrolladas por la Administración del Banco -- en forma discrecional, teniendo en consideración que los elevados fines que las inspiran son el engrandecimiento -- del sistema cooperativista en general y el mejoramiento -- de la productividad de los pequeños agricultores en especial.

- 1.2 DESARROLLO COOPERATIVO:** Debe llevarse a cabo una labor progresiva de desarrollo cooperativo, por medio de asistencia técnica, educación y crédito controlado.

Con el objeto de evitar la proliferación de asociaciones cooperativas para un mismo fin, dentro de una región, el Banco progresivamente procurará su integración.

El Banco orientará la asistencia técnica en los tres aspectos principales de la empresa cooperativa:

**1.2.1 COOPERATIVAS COMO EMPRESAS:** Se procurará que las cooperativas sean verdaderas empresas capaces de mejorar las condiciones socio económicas de sus miembros. Para lograr lo anterior, es necesario el mejoramiento de su estructura administrativa, sus mecanismos financieros y los procedimientos contables y de auditoría. Conviene conceder especial atención a la búsqueda de los medios conducentes a la capitalización de la cooperativa.

**1.2.2 CAPACITACION TECNICA:** Personal especializado es necesario, para prestar asistencia técnica a nivel de la empresa y de sus asociados, con énfasis en la producción, almacenamiento y comercialización de productos agrícolas.

**1.2.3 EDUCACION COOPERATIVISTA:** En coordinación con otros organismos, el B.F.A. desarrollará un programa de educación cooperativista con aquellas asociaciones y grupos pre-cooperativos, con quienes tenga relaciones crediticias, cubriendo los siguientes aspectos:

- . Principios y filosofía cooperativista.
- . Atribuciones y responsabilidades de los cuerpos directivos.
- . Atribuciones y responsabilidades de los socios para con la cooperativa.
- . Las operaciones de la cooperativa.
- . Estudio y relaciones con otras cooperativas.
- . Orientación Gerencial a los administradores.
- . Relaciones entre cuerpos directivos y asociados.
- . Relación entre cooperativa, B.F.A. e INSAFOCOOP.

**2.0 NORMAS:** El Banco de Fomento Agropecuario canalizará financiamiento por medio de un sistema de asociaciones cooperativas que se registrará por las siguientes normas operativas:

**2.1 SUJETO DE CREDITO:** Podrán ser sujetos de crédito del BFA, las siguientes entidades:

- a) Las asociaciones cooperativas que posean personería jurídica, debiendo contar con el reconocimiento oficial e inscripción en el INSAFOCOOP.

También podrán considerarse como sujetos de crédito, las asociaciones cooperativas en formación, que en este documento se denominan grupos pre-cooperativos.

- b) Las federaciones de asociaciones cooperativas legalmente constituidas.

**2.2 MODALIDADES DE LAS ORGANIZACIONES:** Para efectos de clasificación de las asociaciones cooperativas y grupos pre-cooperativos, el Banco reconocerá las siguientes modalidades de organización:

**2.2.1 COOPERATIVAS DE PRODUCCION INDIVIDUAL:** Se consideran Cooperativas sujetas a esta modalidad, aquellas en que cada socio trabaja su propia parcela separadamente.

En esta empresa, la cooperativa es la intermediaria del crédito entre el agricultor y el Banco.

Cuando la cooperativa tramite los créditos de sus socios, deberá efectuar un análisis similar al que el Banco realiza en los créditos solicitados por personas naturales. y se sujetará a las mismas normas que para tales préstamos dicte el B.F.A.

En estos casos, los documentos acreditativos de los créditos que el socio otorgue a la cooperativa, serán cedidos a favor del B.F.A. como garantía subsidiaria del crédito, si la institución lo requiere.

Los socios beneficiarios se comprometerán a comercializar su cosecha a través de la cooperativa.

**2.2.2 COOPERATIVAS COLECTIVIZADAS:** En las cooperativas colectivizadas, la asociación cooperativa administra el desarrollo de los proyectos y los socios trabajan como asalariados de la misma. Al final del ejercicio, se reparten las utilidades, proporcionalmente al trabajo aportado por cada asociado o de acuerdo a lo dispuesto por la Asamblea General.

**2.2.3 COOPERATIVAS MIXTAS:** En estos casos la asociación cooperativa opera proyectos individuales y colectivos simultáneamente; es decir, además de la empresa colectiva, los socios o parte de ellos reciben asistencia crediticia para el desarrollo de parcelas trabajadas individualmente.

**2.3 CONTROL DE INVERSIONES:** Todo préstamo será estrictamente controlado en su uso. Otorgado el crédito, la asociación cooperativa se obliga a remitir al Banco informes mensuales del desarrollo del proyecto y un Balance de Comprobación mensual, trimestral o según se requiera, con sus anexos correspondientes. Los libros y comprobantes se mantendrán al día y estarán disponibles para ser revisados por los supervisores contables del BFA, las recomendaciones de éstos, comunicadas por medio del Jefe de la División de Cooperativas del Banco, deberán ser observadas por la asociación cooperativa.

El B.F.A. se reserva el derecho de tomar bajo administración directa, cualquier cooperativa o grupo pre-cooperativo que haya recibido financiamiento, cuando a su juicio no ofrezca suficiente garantía al éxito de la explotación o se corran riesgos en la recuperación del préstamo. Los costos incurridos por el B.F.A. en este concepto, serán cargados a la asociación cooperativa o grupo pre-cooperativo, en la medida que su capacidad económica le permita absorberlos, según lo determine el Banco.

2.4 COMITE CONSULTIVO: Un comité a nivel de Junta de Directores, integrado por el Presidente Suplente del Banco, el Director Propietario y el Suplente designados por la Asamblea de Delegados de las asociaciones cooperativas y el Jefe de la División de Cooperativas, actuará como consultor-supervisor del plan anual de trabajo de la División de Cooperativas.

2.5 CAPITALIZACIÓN DE LAS COOPERATIVAS: En las asociaciones cooperativas y grupos pre-cooperativos financiados por el B.F.A., los socios deberán participar en un plan de capitalización de la empresa, acordado por la Asamblea General de la asociación de conformidad con la Ley, debiendo acompañar a cada solicitud una propuesta que podría consistir en:

2.5.1 Que cada socio se obligue a capitalizar, a título de aportación, el valor de cierta cantidad de producto cosechado, por cada manzana financiada a través de la cooperativa. Esta capitalización podrá ser entregada, ya sea en especie o en efectivo.

2.5.2 Que cada socio se obligue a capitalizar, a título de aportación, al momento de recibir el crédito, un porcentaje no superior al 10% del monto del crédito recibido, para lo cual la cooperativa podrá aumentar en este porcentaje, el monto del préstamo, para ser cubierto por el socio al final del ciclo, con la venta de la cosecha.

2.5.3 En proyectos colectivos, que cada socio se obligue a capitalizar un mínimo del 50% de los dividendos que le correspondieren, invirtiéndolos en certificados de aportación.

### 3.0 CARACTERISTICAS DEL FINANCIAMIENTO.

3.1 DESTINO: Se financiarán actividades destinadas a producir, transformar o comercializar productos agropecuarios y actividades conexas, como agro-industrias y artesanías. Ejemplo de estos financiamientos son los siguientes:

**3.1.1 CULTIVOS ESTACIONALES:** Financiamiento para cultivos estacionales, el cual incluye granos básicos, tubérculos, oleaginosas, hortalizas, caña de azúcar, algodón y otros cultivos comerciales.

**3.1.2 GANADERIA:** Financiamiento de explotaciones ganaderas, incluyendo los vacunos, las aves, los cerdos, la apicultura y otros animales de explotación comercial, como también el mejoramiento de pastos y la adecuación de tierras para tal propósito.

El financiamiento a la ganadería comprende instalaciones, maquinaria, equipo y toda clase de suministros para la prestación de servicios a los socios ganaderos.

La unidad ganadera debe ser económicamente rentable a juicio del Banco, el cual podrá exigir a los beneficiarios de empresas ganaderas individuales, la comercialización de sus productos a través de la cooperativa.

**3.1.3 CULTIVOS PERMANENTES:** Financiamiento para cultivos permanentes, incluyendo la iniciación o tecnificación de cultivos, tales como: mangos, marañones, cítricos, aguacates, henequén, papayas, piñas, guineos, etc. así como el establecimiento o conservación de bosques maderables.

El préstamo podrá destinarse a instalaciones, maquinaria, equipos y materiales para el cultivo, tecnificación, recolección y comercialización de los productos.

Únicamente se financiarán proyectos capaces de proveer de los ingresos adecuados a las familias de los socios.

**3.1.4 PESCA:** Financiamiento para actividades de las cooperativas de pescadores, dedicadas a la explotación de los productos marinos y de aguas dulces.

El financiamiento incluye los elementos necesarios para actividades que contribuyen a la propagación y conservación de animales y plantas acuáticas útiles.

Financiamiento para adquisición del equipo e instalaciones necesarios para la pesca y mercadeo en conjunto, tales como: naves, redes, anzuelos, cañas, refrigerantes, muelles, bodegas, etc., así como: asistencia técnica y actividades concernientes al mejoramiento de las técnicas de pesca.

Se financiarán actividades relacionadas con la industrialización, suministros y comercialización de la actividad pesquera y actividades para la prevención de desastres y pago de seguro de naves y de vida de los pescadores.

**3.1.5 COMERCIALIZACION:** Financiamiento para la comercialización de la producción de los asociados, para lo cual se otorgarán créditos para: bodegas, graneros, silos y -- transporte, con el objeto de almacenar, clasificar, empa-car, transportar y vender los productos.

Se financiarán por medio de créditos prendarios, recursos para que la cooperativa pueda adelantar al socio parte -- del valor de las cosechas almacenadas.

**3.1.6 SUMINISTROS AGRICOLAS:** Financiamiento para actividades de suministros agrícolas, en las que la cooperativa - compre al por mayor, para vender a los asociados los productos necesarios para la producción, tales como: semillas, fertilizantes, insecticidas, concentrados, productos vete-rinarios, maquinarias, etc.

**3.1.7 INDUSTRIALIZACION:** Financiamiento para la industria lización de los productos agrícolas y artesanías, inclu-- yendo capital de operación, instalación de plantas de pro-cesamiento y transformación de productos, estudios de fac-tibilidad y asistencia técnica.

**3.1.8 ADMINISTRACION:** En situaciones especiales, podrá financiarse el costo de la administración de la cooperati-va, en cuyo caso el Banco se reserva el derecho de selec-cionar al personal.

**3.2 MONTO:** El Banco podrá financiar hasta el 100% de la nece-sidad de crédito de la cooperativa, según la factibilidad técnico-económica del proyecto presentado. En los crédi-tos a la producción (avío), el monto estará sujeto a las normas que al respecto dicten las autoridades monetarias y el B.F.A.

**3.3 GARANTIAS:** Podrán tomarse las siguientes garantías:

- . Prenda sobre los certificados de aportación suscritos - por los socios.
- . Cesión de los documentos acreditativos de los créditos celebrados entre la Cooperativa y el socio, cuando se - trate de proyectos individuales.
- . Prenda sobre cosechas, ganado, maquinaria y equipo.
- . Hipoteca sobre terrenos, edificaciones y otros bienes.
- . Fianza de los asociados y otras personas calificadas - por el Banco.

**3.4 PLAZOS:** Se podrán otorgar préstamos a corto, mediano y - largo plazo, de acuerdo al destino, a la capacidad de pa-go de la cooperativa y a la garantía.

3.5 DESEMBOLSOS: Los retiros con cargos a los préstamos concedidos, se efectuarán de acuerdo con las necesidades financieras de los proyectos, contenidas en los calendarios de inversiones aprobados por el B.F.A. Los préstamos se proporcionarán en efectivo o en especie. Cuando las explotaciones financiadas sean inferiores a la unidad económica rentable, a juicio del Banco, el crédito se otorgará en especie.

3.6 INTERESES: La tasa de interés será la fijada por la Junta Monetaria o el Banco Central de Reserva.

3.7 AMORTIZACIONES DE LOS PRESTAMOS: Los créditos serán amortizados de acuerdo a la rentabilidad de los proyectos, teniendo en cuenta, además, el ciclo productivo de la explotación.

#### 4.0 REQUISITOS:

El B.F.A. antes de considerar elegible como sujeto de crédito a una asociación cooperativa o grupo pre-cooperativo, deberá constatar que cumple con los siguientes requisitos:

- . Los asociados deberán residir dentro del área de acción donde opera la cooperativa y estar dedicados a la explotación agropecuaria o pesquera, además de gozar de buena reputación. Se anexará un listado que contenga nombre, dirección y ocupación de cada uno de los asociados. El B.F.A. se reserva el derecho de entrevistar a los socios.
- . Disponer de una estructura administrativa y contable adecuadas.
- . Contar con un Gerente o Administrador y empleados eficientes. (Anexar los correspondientes curriculums). De preferencia no deberán ser socios de la cooperativa. -- Los funcionarios y empleados con responsabilidad en el manejo de fondos deberán contar con seguro de fidelidad.
- . Presentar la situación financiera mediando los últimos balances y si fuese procedente, los estados de pérdidas y ganancias.
- . Presentar el plan de trabajo, los presupuestos, flujos de caja y las bases que sirvieron para su preparación.
- . Presentar un plan de capitalización, el cual una vez aceptado por el B.F.A. tendrá carácter de obligatorio.

- . Presentar los documentos de tenencia de la tierra, edificaciones y otros bienes muebles o inmuebles, involucrados en el proyecto a financiar, ya sea con fines de producción o de garantía.
- . Disponer de las solicitudes de los socios a la cooperativa, indicando monto, destino, garantía y ubicación de los proyectos, cuando se trate de proyectos de crédito individual.
- . Presentar el programa de educación cooperativa que cubra las atribuciones y responsabilidades de los socios y las operaciones de la cooperativa.
- . Contar con un punto de acta, en el que la Asamblea General haya acordado la solicitud del préstamo y sus características; además de su anuencia, para aceptar el control y servicio del B.F.A. a la cooperativa y sus socios, aceptando su intervención cuando peligre la estabilidad de la cooperativa, así como también en los casos del -- apartado 2.3 de estas normas. En caso de que sus estatutos lo requieran, cumplir con las otras formalidades contenidas en los mismos.
- . Cumplir con todos los requisitos legales y estatutarios para prever la capitalización de la cooperativa.
- . En caso de que el crédito vaya dirigido a hacer sub-préstamos a los socios, se deberá contar con normas de crédito aprobadas por parte del Banco.

5 de Febrero de 1975.-

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