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ALTERNATIVE AND BANKING INSTITUTIONAL
SYSTEMS OF AGRICULTURAL CREDIT DELIVERY
TO BOLIVIAN CAMPESINOS

FINAL REPORT

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INTRODUCTION

This report is based on a six week inquiry among the clients and personnel of four Bolivian institutions which extend agricultural credit to small farmers. The Bolivian term for small farmer is campesino. This term is retained throughout this report to distinguish conceptually the target population from agriculturalists (agricultores). The latter Bolivian category refersto capital intensive, usually larger scale producers, who are distinguished in most of Bolivia from campesinos by social, cultural and economic criteria.

Three of the institutions investigated are alternate or non-banking sources of agricultural credit. One issue which oriented the inquiry was the extent to which alternative credit delivery systems serve, or can respond more favorably to, the credit needs of campesinos as compared to formal banking institutions. Among the non-banking institutions falling within the scope of this inquiry are La Merced in Santa Cruz and Madre y Maestra in Tarija. Both of these originated as urban-based savings and loan cooperatives which have diversified their fields of operation to include the delivery of agricultural credits. The third non-banking institutions was FENACRE, a federation of savings and loan associations, which has affiliated local cooperatives throughout Bolivia. The study of FENACRE was limited to its agricultural credit operations in one rural affiliate within the Department of Cochabamba.

One formal banking institution falls within the scope of this inquiry: the Banco Agricola de Bolivia known by its acronym,

BAB, Due to logistical and time constraints, the study of BAB's campesino loan recipients was restricted to two areas of Bolivia: the community of Sacaba in Cochabamba and the micro-region of the Rio Chico in Chuquisaca.

A discussion of methodology utilized by this investigator, a social anthropologist, is included in this report. While the present study was limited to an access structured sample of campesinos and impeded by the brief period of field work, it was enhanced by the investigator's recent two years experience in the highlands of Chuquisaca and lowland colonization area of Northern Santa Cruz. The latter experience provided a general background and orientation to rural Bolivia as well as specialization in the study of cooperative organizations and the interface of campesinos and institutional professionals and personnel.

The author wishes to acknowledge and thank the following persons for their collaboration:

AMARU IV Cooperative Inc., Washington, D.C., the research and consulting entity which coordinated the short term contract supporting this study; Mr. Gary Alex, U.S. AID Bolivia, Rural Development Division, for his patience and guidance; personnel of La Merced, Madre y Maestra, FENACRE, and BAB, for their cordial reception and collaboration.

I wish to express my special appreciation to my colleague, Philip Blair of the International Voluntary Services in La Paz, for his moral support and assistance.

Most important, I am grateful to all the Bolivian campesinos and credit users interviewed who patiently shared their frustrations, satisfactions, experiences and opinions. In the hope that they and their neighbors will reap some benefit from some

of the insights expressed, this report is submitted.

SUMMARY SOCIAL FEASIBILITY

THE FUNDAMENTAL PREMISE OF CHANNELING LOANS TO SMALL FARMERS THROUGH ALTERNATE, NON-BANKING INSTITUTIONS IS SOUND.

CONSTRAINT 1. INSTITUTIONAL CAPACITY

If the institutions considered as channels in this study are selected, that is, the cooperatives La Merced, Madre y Maestra and FENACRE, and the Bolivian Agricultural Bank, a potential problem which may constrain project success can be identified. A condition for project success will be the institutional development required of these urban-based credit operations to extend agricultural loans to rural resident small farmers. The four institutions surveyed may need to strengthen or to create local participatory affiliate organizations and/or to create or to redesign the role of the local agent as both responsive and responsible to campesinos.

CONSTRAINT 2. ELIGIBILITY REQUIREMENTS

A potential constraint to the project reaching the most likely beneficiaries and the target population through these particular institutions was also identified in the eligibility requirements of the project identification document.

Many campesinos currently borrowing from these institutions are small farmers in transition from traditional to commercial farming. In order to finance the innovations and investments necessary to orient their agricultural production to the market economy, they use credit and also use sources of off-farm income other than exclusively seasonal wage labor. The P.I.D. restriction limiting loan payment ability "solely" to "farm income or in combination with seasonal off-farm income" would exclude the more marginal transitional campesinos as beneficiaries. A substitute eligibility requirement is recommended which recognizes the characteristics of the current small farmers who receive loans from these institutions.

The limitation on repayment ability could be broadened to include income from off-farm, part time or temporary manual labor for wages and the proceeds of craft production.

CASE HISTORY 1: LA MERCED, SANTA CRUZ

Introduction

Institutional Identification

La Merced is an urban based, urban oriented, multiactive cooperative originally founded in 1961 as a savings and loan association. The savings and loan operations of La Merced continue and the cooperative created a consumer store, pharmacy, health care services, educational projects, a library and a housing construction and loan section. Its current membership is reported to be 32,000, most of whom are urban, lower and middle class blue and white collar workers as well as urban professionals.

Exact figures on the campesino component could not be elicited; but estimates varied from 2,500 - 4,000 campesinos.

Complementary Studies

The historical, administrative, fiscal, organizational and managerial dimensions of this institution are dealt with in reports by Magill, Flick and others. These aspects will not be reiterated here except as they bear directly upon the operation of the campesino credit programs, when information is supplemented, or when opinions were supported or modified as a result of interviews with campesino members. The above mentioned observers, according to their areas of expertise, consider this institution to be viable, financially strong and administratively sound. Thus the key issue in this study is whether this urban based, urban oriented cooperative has been effective in diversifying its operations into rural areas and in meeting the distinctive needs of its campesino members.

Focus of this Case History

This report focuses on the perspective of the campesino members as determined through interviews with a sample of credit users in areas served by two of La Merced's branch offices in the dept of SC, Mairana and Puesto Fernandez-Chane.

Geographical Delimitation of the Area of Study

The Mairana branch office services scattered communities in the area of this densely populated town 150 kilometers from Santa Cruz on the road to Cochabamba as well as Pampa Grande-approximately 170 kilometers from La Merced's central office. The second site of investigation was Puesto Fernandez-Chané in northern Santa Cruz. The town of San Fernandez is an old center of colonization.

LA MERCED'S CAMPESINO CREDIT PROGRAM

Background of Program

La Merced's campesino credit section was initiated in 1974-75 as a result of a loan of \$25,000 from the Mennonite Economic Development Association, as well as internal funds. The program is administrated out of La Merced's main office in Santa Cruz by a single agronomist, Ing. Wilde Urquidi. One day a week is reserved for campesinos to visit the main office; undoubtedly few come there because of distances and difficulty of access.

Organization and Operation of the Program

According to La Merced's statutes, all members (i.e. shareholders) are entitled one vote in the General Assembly. Yet no campesino members interviewed had ever attended a cooperative assembly. Most expressed interest in attending such a meeting, but claim that they have never been invited. Although unverified, if the claim is true, it is not clear whether it can be attributed to poor communications or to the assumption on the

part of directors of La Merced that most campesinos would not attend because of the distances involved. Campesinos indicated that they would like to attend a meeting to find out "what is going on". When queried about the distance, all conceded that they would, at least, like to send a campesino representative.

There are apparently no campesino members of La Merced's administrative councils. It is curious that in the agronomist's annual report on the activities of the Campesino Section, he refers to the need to activate local "vigilance" committees in each rural community. It is not clear whether any such local body is currently in existence or functioning, but the need for such local bodies is evident. As the agronomist notes regarding the pervasive delinquency problem confronting the campesino credit section, there is an urgent need to create or activate such bodies.

In addition to the Mairana and Chané branches studied, La Merced has offices in Yapacani and Villa Bush. Campesino loans are issued and saving deposits are collected by field agents. The latter are non professionals of campesino origin who serve as liaisons with the main office.

Radius of Action

A number of the approximately 39 communities served by the La Merced campesino credit program remain outside the radius of the four field offices. These communities are visited periodically by a commission including the administering agronomist which also visits its branch offices. According to the agronomist's report of activities during 1978, an average of 12 monthly visits were made to 26 localities in 5 provinces, visits

concentrated in areas where there was a greater density of membership. Areas of less density were visited only 7 times and local agencies were reached only once or twice in the year.

Loan Size and Credit Use

According to Ing. Urquidi, 358 individuals received loans totaling \$b1,641,000 during 1978. Average loan size was \$b4,500 (U.S. \$225). Among campesinos interviewed in communities of Mairana, Pampa Grande and Puesto Fernandez-Chané, loans varied from \$b1,500 to \$b15,000. One cattle raiser in Pampa Grande reported a loan of \$b90,000 and has only repaid about one third. This particular loan was invested in cattle and inoculations, as well as to finance payments to agricultural laborers. He referred to the loan as a "small help" although insufficient for his needs. This credit recipient and a few of the larger loan recipients in Puesto Fernandez-Chane might be classified as medium size farmers, according to scale of operation, land tenure and usage and other assets. However, most rural loans are reported by La Merced to be between \$b2,000 and \$b9,000 (U.S. \$100-450) and a short term 8-10 months.

The size of loans during the study period were constrained by the same factors constraining loan activity: the requisite savings loan ratio (1 : 3) and La Merced's serious problem of delinquency. Until the delinquency problem is resolved and reserves are normalized, La Merced believes it can not consider augmenting the current ratio.

Requirements for Loans

There is a high degree of centralization in the La Merced campesino credit program. All loans, even those solicited in the local agencies, must be approved by the credit committee in Santa Cruz, first by the Agronomist and ultimately by the Director of La Merced. Requisites for loans are theoretically simple. An individual must be a member of the cooperative for three months in order to request a loan. A campesino can join simply by a nominal inscription and demonstrating a record of savings deposits. Loans are issued at a ratio of three times the amount of the member's savings. Loan terms are short: 8 to 10 months is the average credit term, a period which corresponds to the agricultural cycle. Interest rates are 1.5% per month of the outstanding balances per month or 18% per year.

Application Procedures

In the areas of the four branch offices, campesinos or the local agent fill out La Merced's loan application form, which is the same used for urban loans. It seems complicated and many points are irrelevant to the situation of campesinos. The form probably should be altered to be made more appropriate for use by rural producers. Each loan applicant must present the names of two other members as guarantors. Both must be members of the cooperative and not currently the guarantors of others. Most campesinos did not complain about this requirement, but I was present when one woman, who could not find guarantors, consulted the local agent about candidates. Every name of neighbors or acquaintances she mentioned was rejected because the cited individuals were already serving as guarantors of

others with outstanding loans. One problem may be that with the high rate of delinquency, many potential guarantors are committed and this is a bottleneck in the system.

Guarantor System

The system ideally functions as though campesino 1 guarantees campesino 2 who, in turn, is guarantor to campesino 3, who is guarantor to campesino 1 (see diagram). If campesino 1 cannot pay his debt but campesino 3 wishes to cancel his debt from his savings, he is not permitted to do so because his savings are covering campesino 1. He therefore must continue to pay interest on his debt and is in a sense penalized. When I posed the intrinsic inequity of the system to the agronomist, he admitted that as a system it is correct but not just and disclosed that there are many cases of individuals savings being tied up as collateral against the unpaid loan of the person they are guaranteeing.

MODEL OF GUARANTEE SYSTEM^{1/}

Campesino 1

Campesino 2
Can't cancel
own loan
with
savings
until Campesino 1
cancels

Guarantee

Campesino 3

note ^{1/}. This diagram reflects the agronomists understanding of this system. In fact, this model is not an accurate reflection of the guarantee systems. It omits that each loan is in fact guaranteed by three

persons not one; each credit user must have his own savings as collateral, as well as the savings of two outside guarantors.

One aspect of the dilemma is that among campesino members of the cooperative accumulated savings are minimal. The system was obviously designed to work in urban areas where wage labor opportunities allow borrowers to have regular cash income. Wage labor income is more assured than income which is seasonal and dependent upon the vicissitudes of climate, production and market prices.

LOCAL ASPECTS AND LINKAGES

In each of La Merced's four existing branch offices a local agent represents the central office. The latter handles applications, savings and loan transactions, and delivery of loans. All decisions are made in the central office.

The premise on which the role of the local agent is based is that individuals of local origins and social ties can best understand and serve the credit needs of campesinos in their respective areas.

is allowed to play the role of cultural broker between the membership and the large, complex, and urban office in Santa Cruz. (This is not always the case. One case in the preliminary report describes an agent who was fired for dishonesty.)

The rural agencies of La Merced operate as an administrative arm of the central cooperative; they do not constitute an organizational/participatory base for the campesino membership. The logistical problems, lack of personnel and difficulties of maintaining regular contact with campesino members of the agencies are exacerbated by the lack of a viable organized participation base organization. Dialogues between the central office and campesino membership are theoretically restricted to the twice monthly visits of the local agents in charge of the four areas of largest campesino membership. There is evidence that the use of agents as the sole form of linkage is not a sufficient channel of communication. Furthermore, as employees of La Merced, their role constitutes a potential conflict of interests; their role should be supplemented by an independent linkage which exclusively represents the membership base.

Twice a month the local agents are expected to report to the central office to deliver savings deposited and applications for loans. There is then a delay until the agronomist, credit committee and finally director can review loan applications and relay a decision to the agent during his next visit. During the period studied, cooperative funds were limited, and furthermore, the central office had decided to place a moratorium on new loans once an agency exceeds 20% delinquents. The local agent, therefore, was under pressure to stall loan applicants who were urgently in need of cash.

It might be appropriate to mention here that the local agent in La Merced's branch office in Puesto Fernandez appears to have the attributes of a competent local credit agent. The latter is himself a campesino, sensitive to local problems and needs. While of modest class background and a non-professional, this individual is relatively more educated than other campesinos and has had in addition an extensive background in cooperative education, philosophy and credit programs. He thus personifies some of the attributes of a local agent who can mediate between the central office and the credit needs of the local campesino membership.

NEED FOR AND USES OF CREDIT

Many credit users when asked how they used their credits responded simply "for agriculture". When probed, the typical respondents in the area of Mairana named agricultural implements, seeds, fertilizers and family consumption needs during periods of scarcity. The latter is a significant and legitimate need for the transitional campesino. Expenditures for family consumption should be considered a basic input into the agricultural production unit because most of the campesinos of this category depend primarily, though rarely exclusively, on their own family labor. Bolivian campesinos interviewed do not calculate their own labor as a cost of production -- a factor which, if calculated at prevailing agricultural laborers wages, would considerably reduce net profits.

A significant number of campesinos interviewed in the communities of Pampa-Grande and Mairana reported that a portion of their loans were destined for hiring tractors. The local rates

range from \$b450 to \$b500 per hectare RENTAL FEES. Since many of the credit users in this area are limited by small plots, their credits covered this kind of expense. The use of tractors by such campesinos reflects their transitional character compared with more traditional and more subsistence oriented farmers.

In Puesto Fernandez-Chane, tractor rental was a less prevalent use for credit than borrowing to hire labor. Campesinos in this zone are among the older, more established colonists in Northern Santa Cruz. In contrast, Mairana, which is a zone ecologically more similar to the highlands, has been settled for generations and reflects the pattern of areas of fragmented holdings and an intensive agriculture. In Puesto Fernandez-Chané, however, campesinos have access to larger land holdings and some have been expanding their areas of cultivation to as many as 20-30 has. Under the traditional slash and burn system, this expansion involves heavy labor in the land clearing, weeding and especially labor intensive harvesting of rice and sugar cane. As a consequence, the bulk of the credits received from La Merced have been destined for the costs of labor. Some of these campesinos served by La Merced in the area of Puesto Fernandez-Chané seem to be relatively better off than the bulk of campesinos in colonization zones, but their larger scale of operations may be deceptive because of substantial operation costs due to the need for large amounts of hired labor. Due to increased labor costs net profits do not always increase proportionately, especially in light of market fluctuations and crop failures due to climatic factors. Kenneth Graber, an agricultural economist and expert in the

agriculture of the zone, has written insightful analyses of the economics of slash and burn agriculture in the zone. One of his main contributions is to show that credits invested in use of heavy labor to expand production can be counter productive, or at least are not reflected in proportional increases in net profits to the individual campesino. His solution is to encourage the use of animal traction as a more appropriate allocation of agricultural credits. For La Merced or any institution dealing in credits for campesinos of this zone the latter's suggestions should be considered before proceeding with expanded credit programs. While in a personal interview, Graber indicated that he does not advocate supervised credits, he suggested that non-supervised credits may have less negative outcomes than poorly supervised credits. It is my opinion that La Merced needs more technical personnel to analyze systematically present credit use and consequences in this area before proceeding with any expanded loan program. This is especially vital in the light of their current rates of delinquency.

Most campesinos interviewed indicated that their motivation for joining La Merced was to take out credits "in order to be able to work". In the ideal case of pure subsistence production the campesino's inputs requiring cash are minimal: he uses his own seeds, organic fertilizer and family labor. Once a campesino begins the transition from a pure subsistence productive economy to market oriented production, he needs capital just to continue operating at his new level. Many of the credits disbursed from La Merced are utilized by campesinos to maintain the level of production of the previous year. Given such a "maintenance"

family agricultural economy, there is minimal savings accumulation.

Obtaining credit rather than saving seemed to be the goal of many of the campesinos. THE LACK OF AN INTEREST RATE ON SAVINGS IS A DISINCENTIVE TO SAVINGS AS A GOAL. Magill astutely has shown that loss of interest corresponding to savings deposits during the term of loan plus interest rates of the loans adds to the cost of the loan. As a consequence this system theoretically lacks incentives for the borrowers given an alternate source of loans. Clearly given a restricted credit market with few alternatives, most campesinos do not calculate interest losses. A few relatively sophisticated campesinos commented on the lack of accrued interest. Some current users indicated that they are satisfied. Others complain noting that for example in cases in the area of Mairana, "many have withdrawn because of dissatisfaction". The reason given was the lack of "profit or interest accrued to their savings".

It may be that with expansion of loans to small farmers through formal banking and alternate institutional sources, campesinos will perceive alternatives and become more discriminating credit consumers. La Merced and other savings and loan based agricultural credit programs may lose their appeal. In such a case, more incentives might have to be built into the system such as interest on savings held as collateral, lower loan interest rates or technical services. Currently, campesino members of La Merced, especially those in Mairana, are either not aware of the cooperatives' health or educational services, the consumer store and pharmacy, or cannot avail themselves of the services because of distances. None of the campesino members interviewed had ever used these urban located cooperative services.

Currently, La Merced is appealing to a category of campesino who does not perceive alternatives, is reluctant to deal with Banco Agricola or other banking institutions, or whose capacity to utilize larger credits is limited because of a low level of agricultural production. In contrast, BAB officials

have admitted that smaller loans of under \$b10,000 are uneconomical to administer and process (see section on BAB).

INFORMAL CREDIT MARKET IN LA MERCED'S RADIUS OF ACTION

Some campesinos reported the existence of informal credit sources in the area of Mairana and Pamap Grande. A few cited the practice of rescatadores (intermediaries) of tobacco, a principal cash crop in the area, purchasing their crop in advance at set prices with the campesino promising delivery of his crop. The cash advanced against the crop is reported to be one half the total amount of the crop value as established by the rescatador. One campesino mentioned that the effective interest rate came to one half of the total crop's value. However, this exorbitant interest rate was not verified.

It is interesting that the simultaneous dependence on such informal credit practices, even among some formal credit users, suggests that formal credit delivery systems do not always supplant informal forms of credit. Evidently this is the case among some of La Merced's rural credit recipients. This is partially due to La Merced's 1 to 3 savings to loan ratio which results in the fact that many borrowers interviewed had, at least in the areas of Mairana, and received minimal or marginal loans which were not sufficient to meet all their needs. In contrast, in the case of BAB credit recipients, where loans are not tied

to savings and tend to be more substantial, there is less reliance on dual credit sources.

In Pampa Grande, campesinos reported the availability of loans through a few private money lenders. The latter's capital is limited and soon exhausted; loans tend to be very short term with interest rates of 5% monthly.

THE FORMAL CREDIT MARKET IN LA MERCED'S RADIUS OF ACTION

Knowledge of alternate formal credits is limited to a few campesinos' own experiences as well as tales of neighbors' unfavorable experiences (specifically with BAB group loans). Several campesinos gave histories of participating in recent years in group loans through BAB before joining La Merced. All are bitter and report negative outcomes. In one case, inordinate delays and repeated visits resulted in the loan arriving too late. In this case the individual, a local leader, was the group representative who laments the loss of time from his agricultural tasks occasioned by the pursuit of the loan.

As noted above La Merced provides relatively small loans. The efficacy of a program of small loans has been challenged. However, campesinos saw the benefits of loans that allowed them to survive and continue to operate on a year to year basis.

There is a rationale for preserving a credit operation that specializes in smaller short term loans at least until more is systematically understood about the aggregate affects of credit use among campesinos. There is justification for sustaining alternative institutional sources which complement each other by appealing to different categories of campesinos. There appears to be some overlap and duplication among existing credit insti-

tutions. Yet generally, La Merced seems to be specializing in a category of campesino lacking credit experience or access to credits from formal banking institutions.

SPECIAL ASPECTS

La Merced: The Problem of Delinquency in the Campesino Program

The delinquency problem involves ecological, social, administrative, and organizational factors. Despite the apparent strengths of the over-all administration of La Merced, there is a severe problem of unpaid campesino loans, especially as compared to the other three institutions surveyed by this investigator. Due to time constraints and a limited sample of credit users interviewed, the delinquency problem could not be systematically explored. Indeed, the magnitude of the problem requires a series of field investigators studying a wide sample of credit users within an investigation of an expanded time frame. Problems and observations disclosed in this report may be relevant to orient further investigation and/or policy considerations.

The vulnerability of the Bolivian campesino and the fragility of their small farm production units, given precarious ecological factors and a chaotic market system, makes a certain degree of delinquency within any credit problem inevitable. Nevertheless, BAB and FENECRE claim low official delinquency rates among campesinos. BAB, for example seems to be coping with vicissitudes of climate and market through prorrogas (extensions of the period of the loans or postponements of repayment dates). This practice partially accounts for low delinquency rates reported for areas of Cochabamba and Chuquisaca (see BAB section below). Such extensions seem necessary if credit programs are to respond

to the needs and the previous family economies of the Bolivian campesino. Yet there is evidence that La Merced has utilized tactics of loan prolongation and demonstrated a tolerance without success.

Observers concur that La Merced's single agronomist is overextended in relation to the large size of the existing radius of action of the program. Clearly, before any expansion of the program is considered, additional technical personnel need to be employed to deal first with existing delinquency. The need for agricultural technicians to identify the causes of loan defaults is distinct from any suggestion that this institution necessarily may opt for a more supervised credit program. This need as analyzed is consistent with the expressed demand from all campesinos interviewed for technical orientation.

Finally, structural/organizational problems described in greater detail in the preliminary report and the suggestions made in the following section shed light on aspects of the problem of delinquency. The structure of local agencies and the role of agents is not an adequate linkage to the local campesino borrowers. The role of agent as an arm of the should be complemented by the creation of local organizations which can audit and assess local loans and mediate between the borrowers and the central office. This social organizational dimension is closely related to attitudinal components. A cooperative organizational model for credit is premised on the notion that a loan recipient is a member of a social organization and not simply a client in a business relationship with a bank. Ideological commitment of members has not been achieved, perhaps because of organizational flaws discussed below.

IMPACT OF LA MERCED'S CAMPESINO CREDIT PROGRAM

It is difficult to assess fully the impact of loans disbursed as a result of La Merced's activities. Ideally such an inquiry should involve a team of investigators with a time-frame that allows for a controlled sample. There is need for such studies which should be based on analyses of individual campesino's total investments and costs of production, crop yields destined to the market and gross and net profits over time, in order to arrive at statistically valid evaluations. When such analyses have been made with individual campesinos, on a random basis, objective improvement was often slight or could not always be demonstrated.

Subjectively, many of the campesinos expressed the belief that their production had increased as a result of credit uses, but it is difficult to document whether any significant corresponding increase in income occurs on an aggregate level. This is especially so in the light of market/price fluctuations. Some of the campesinos indicated that the credit had allowed them to survive if not necessarily improve substantially their economic situation. They indicated an urgent need for a continuous supply of regular credit simply to continue operating their farm units.

In Pampa Grande for example, current credit users report a substantial exodus of their neighbors in quest of work in the city. Their small farm operations have proven unviable. One of La Merced's members lamented this phenomenon. He felt "the government" should help such campesinos remain in the area. One of the consequences of the exodus is the "abandonment" of land

and also the lack of sources of labor for those who stay and seek to improve their land productivity. Some current credit users, working on rental land or under share cropping arrangements, indicated that future credit would allow them to rent more land to cultivate on a larger scale. Yet, while more land is becoming available for purchase, rental or share cropping arrangements, a shortage of labor is also occurring.

These are some of the complexities which have to be taken into consideration to understand the particular contexts within which credit disbursement programs such as La Merced operate.

Many current credit recipients indicated that they would like to expand their credit usage contingent on their capacity to increase their savings. Most believe that interest rates are fair, especially since none knew of any current alternative offering lower rates. Interestingly, there was some misunderstanding as to actual interest rates. A few cited 2%-5% as the monthly rates (actually 1.5%) and a few did not have any idea.

Among those currently using credits, there was a satisfaction with existing procedures and it is felt that loans are easy to obtain "with no costs". Yet, this sample may distort the reality since an increasing portion of credit applicants are apparently being denied their loans or subjected to long delays because of the delinquency problems and policies mentioned above.

The majority of campesinos served by La Merced appear to be campesinos whose land holding and incomes meet the criteria of "small farmers", who derive incomes; (few exceptions were encountered in the limited sample interviewed). However, there

is reason to suspect that a very few may, because of larger cultivable land holdings and other assets, exceed the limits of the small farmer classification as specified in the proposed project. La Merced does not seem to currently have a mechanism or established ruling for excluding larger or more prosperous farmers from receiving credits.

La Merced seems to be operating on a premise that larger farmers have alternative sources of credit, but such an assumption can not always be relied upon. If the distribution of credits to the small farmer is to benefit the target population, and only that population, potentially participating institutions may need to establish formal criteria for participation or exclusion in their credit programs.

LA MERCED: SUMMARY - FOR MOST OF LA MERCED'S BORROWERS INTERVIEWED, LOANS FROM LA MERCED HAVE BEEN THEIR FIRST EXPERIENCE WITH CREDIT. IN THIS SENSE, LA MERCED IS HELPING TO INCORPORATE INTO THE FORMAL CREDIT MARKET CAMPESINOS WHO HAVE NOT BEEN REACHED OR WHO DID NOT HAVE ACCESS TO OR ARE FEARFUL OF PARTICIPATING IN LOANS FROM FORMAL BANKING INSTITUTIONS. LA MERCED IS ALSO APPEALING TO CAMPESINOS WHO HAVE HAD PRIOR EXPERIENCES IN HIGH RISK OF GROUP LOANS WHICH THE CAMPESINOS REGARD IN RETROSPECT AS UNSATISFACTORY EXPERIENCES. THE MAJORITY OF THE CLIENTS OF LA MERCED'S CREDIT PROGRAM APPEAR TO BE WELL WITHIN THE RANGE OF THE TARGET POPULATION AND LOAN SIZES ARE MODEST. THE CAMPESINO CLIENTS EXPRESSED A DESIRE FOR SHORT TERM, SMALL ^{LOW} RISK LOANS, ESPECIALLY THOSE WHO HAD UNFAVORABLE EXPERIENCE WITH LARGER LOANS.

**CASE 2: MADRE Y MAESTRA - A SAVINGS AND
LOAN MULTIPLE PURPOSE COOPERATIVE**

INTRODUCTION

Profile

Like La Merced, Madre y Maestra is an urban-based, urban oriented multi-purpose cooperative. Madre y Maestra was founded in 1964 around 35 urban laborers. Its membership has since expanded to 16,000 members who are mainly working class, but who comprise individuals of social and occupational classes. From a savings and loan association, this cooperative has diversified its program to include educational programs, including a scholarship fund and student residences; a medical program including a health clinic, pharmacy and an institute for the treatment and study of chagas disease. This multi-purpose cooperative includes a housing section which provides housing loans and has constructed five housing developments in a city of scarce housing, and an industrial section with ceramic, carpentry, mosaic and cement workshops. In addition to being revenue producing enterprises, these activities have generated significant sources of employment: Madre y Maestra employs a total of 155 individuals.

Madre y Maestra's strength has been an ability guided by its director to identify and to respond to the economic and social service needs of many of Tarija's urban dwellers. The cooperative has been described as a vital force in that city, and is an example of private sector's capacity to provide services neglected by the public sector.

Despite the concentration of Madre y Maestra's activities in Tarija's urban problems, its director, Father Assad, demon-

strates an interest in expanding their program as well as a past involvement in rural projects. Nevertheless, during my contact with this institution, it was difficult to identify a discrete agricultural program and to locate campesino credit recipients.

Complementary Studies

The fiscal and administrative status of this institution, has been investigated by Richard Hale.* Hale reported on the capacity of each of this cooperative's sections and determined that Madre y Maestra is operating on a sound financial base. While it has received substantial grants and loans from external sources, including a number of international donations, it is Hale's opinion that Madre y Maestra is self sufficient in its present credit operation, and has demonstrated steady financial growth.

Focus of Case History

The issue which oriented inquiry into Madre y Maestra was, as in the case of La Merced, the extent to which an urban credit operation has effectively expanded into rural spheres, and whether the program is reaching and responding to the needs of campesinos.

Geographical Delimitation of the Study Area

Madre y Maestra's current loan recipients are generally widely dispersed in the provinces proximate to Tarija. However, they reported concentration of representative campesino members or loaning activities in four principal communities or areas: San Luis, La Concepcion, San Lorenzo and Pacaya. I visited three of these areas (the pilot project cooperative of San Luis, 5 km

*Richard Hale - Report to AID/Bolivia Mission August 1979 (ins).

from Tarija; Sella community in the San Lorenzo area of Mendez province, 20 km from Tarija; and Los Concepcion in Aviles province, about 40 km from Tarija) in an attempt to assess Madre y Maestra's campesino credit activities and to interview loan recipients.

CAMPESINO CREDIT PROGRAM

Background

Madre y Maestra's campesino credit activities are currently limited and non-formalized as a sufficiently discrete program. Credits disbursed have been to isolated individuals widely dispersed and destined for mixed purposes not always necessarily agricultural.

The exception has been its pilot efforts to form a cooperative in San Luis.

Madre y Maestra's single most concrete and discrete agricultural credit program has been concentrated in the community of San Luis located only 5 km. southeast of Tarija. It is instructive to review the background of this community, Madre y Maestra's involvement and the specifics of the current credit program, since as a pilot program, it serves Madre y Maestra as a model to be replicated in the case of future expanded credit activities.

Pilot Agricultural Program of San Luis Cooperative

San Luis is located at 1,885 meters above sea level in the province of Cercado. Its soils have been described as being of low fertility and subject to marked erosion. The community's population is reported 964 of which about 11% migrate to San Cruz, Yacuiba, Bermejo and Northern Santa Cruz in search of

seasonal labor, due to limited land holdings and the capacity of the local economy to support the population. Many are no longer dependent upon agriculture, and for others agriculture is secondary. Of 94 campesino families, 66 are full time agriculturalists and the rest supplement agriculture as urban laborers or as public employees. Most campesinos are recipients of land as a result of Bolivia's agrarian reform.

A substantial portion of Madre y Maestra's 185 loans designated for agriculture in 1978 were concentrated in San Luis. Beginning two years ago, Madre y Maestra, its director, voluntary agronomists and other volunteers began to organize an agricultural and savings and loan cooperative with 45 members of this community. Unlike other agricultural credits disbursed by Madre y Maestra, a separate system of records is kept on loans issued to the cooperative of San Luis. This past year 30 credits for potato seeds and 15 for fertilizers were issued. The credits were not issued in cash but rather in seeds and fertilizers, for a maximum value of \$b3,870, with a minimum of \$b380, and the majority falling between \$480 and \$1,000. Of the 30 loans issued to this group, five have become delinquent within the 8 month term. A loan is theoretically issued to the cooperative and the cooperative in turn issues loans to its campesino members at a 1.5% monthly interest rate. Maximum loan size was constrained by the 1 to 3 savings to loan ratio. Savings deposits of a minimum of 10 pesos monthly were required of these campesinos, rather than the \$b100 required of urban members. Presentation of land titles were not require the campesinos carnet de identidad was

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the only legal document. Repayment of the loan is required in cash rather than kind.

While Madre Maestra's promotional activities began two years ago, only when the cooperative demonstrated organizational viability were credits disbursed. During the period of formation, Madre y Maestra's volunteers, including its volunteer agronomist, made weekly visits, and attended all meetings of the cooperative. A cursillo was given in this community in December, 1978, as a result of which delinquency rates diminished and the social fund was increased. More recently the volunteer team from Madre y Maestra have visited the community bi-weekly. Members complain however, that attendance in meetings have decreased and members are only responsive when those from Madre y Maestra are there. Apparently, San Luis is undergoing problems of dependency, with low levels of participation, common to organizations stimulated externally with high levels of outside input. Madre y Maestra hopes to encourage greater independence on the part of this cooperative, but much depends upon the development of local leadership. Local leaders are not too confident of eliciting support on their own and complain of the high degree of individualism which exists in the community, although much less so since Madre y Maestra's involvement.

Santiago de la Concepción Cooperative

Father Assad described Madre y Maestra's involvement in 1973 in creating a cooperative of 35 campesino grape producers. The Cooperative-Santiago de la Concepción, in the province of Aviles, Department of Tarija, achieved an initial success with the small

scale grape producers who comprised its membership. Once having completed successfully the promotional phase, Madre y Maestra later turned over the direction of the cooperatives to a German voluntary organization which was to provide support and technical assistance. Eventually larger grape producers entered the cooperative and succeeded in dominating the membership. Father Assad attributes the cooperative's ensuing social and economic problems to its domination by the larger farmers. While he laments the cooperative's eventual failure, he considers Madre y Maestra's initial promotional work to have been a success and a positive learning experience in their rural track record.

One campesino interviewed in Chocloca, a community of La Concepción, related his experience with the Cooperativa de Santiago, originally "promoted" by Madre y Maestra. He expressed confidence in Madre y Maestra and noted that as long as they were involved, everything went smoothly. Later, he claimed that, "there was a poor administration of funds. (When Santiago was) a savings and loan cooperative under Madre y Maestra, there was progress, but later everything went poorly."

Madre y Maestra still considers the area of La Concepción to be within their radius of action with some members currently enrolled as individual members. When this province of Aviles was visited for interviews, the names of several members in the area of La Concepción were given by campesinos interviewed. Many of the members are rural school teachers in the zone and members of Madre y Maestra's savings and loan, consumo, or housing sections. Of the campesinos mentioned to have participated in agricultural loans, only a few could be located for interviews.

Organization

Radius of Action and Campesino Clientele

Madre y Maestra has no rural agencies or agents or agronomists to facilitate applications and the delivery of credits to rural dwellers. As a result, with a few individual exceptions, most rural loans have been disbursed to recipients in areas in close proximity to the city of Tarija. As a consequence, Madre y Maestra's radius of action has been quite restricted.

Madre y Maestra claims to have 2,000 campesino members. Nevertheless, it is not clear how many of these individuals are devoted primarily or secondarily to agriculture.* It could not be determined how many of the "2,000" members belong to the agricultural section.

Madre y Maestra's policy is to count a single individual's enrollment in distinct sections as multiple memberships. Thus the 2,000 figure does not reflect the actual number of campesino members. It could not be ascertained to which sections these individuals belong, since many individuals classified as "agriculturalists" actually belong to the credit and loan, consumers, health and or housing sections. Inquiry was made as to where these individuals were concentrated and how they could be located; however, Madre y Maestra does not maintain discrete records (with the exception of the pilot project community of San Luis) identifying which members are campesinos, nor in which community members reside. The director disclosed that in order to identify such individual members as campesinos or rural residents, it would be necessary to go through the 16,000 kardex files.

*See account of visits to communities under Madre y Maestra's radius of action in the preliminary draft of this report.

The problem of identifying campesinos from the central membership records of Madre y Maestra underscores the lack of an existing formal discrete program for campesinos and the pattern of Madre y Maestra's ALLOCATION of administrative resources to the campesino sphere. This pattern is also reflected in the lack of a structural organization for reaching this cooperative's campesino membership.

Administration, Local Agents and Linkages

Madre y Maestra lacked a distinct agent role to act as a liason between credit users and the institution. During the study period, Madre y Maestra did not have ANY full-time separate staff for the administration of agricultural credits, nor did it employ a single agronomist. Madre y Maestra has been relying upon the voluntary contribution of its own members' expertise, for example in the pilot agricultural credit program in San Luis, a campesino community close to Tarija. Among these volunteers are an agronomist currently employed by CARE and a social worker who is employed part time by Madre y Maestra and who has been involved in the community pilot project in San Luis.

At the time of the study, Madre y Maestra lacked the resources and staff for promotional activities and to conduct a substantial loan program. Father Assad, its director, stated that: "you have to give loans, if you want to work with campesinos," a premise which might be refuted by rural promotional institutions engaged with agricultural credits per se.

Madre y Maestra does have an incipient set of informal ties and emerging linkages with one cooperative and one precooperative modeled on savings and loans principles.

The two are at distinct stages of formal affiliation with the mother cooperative. San Luis, discussed above, is currently in a highly dependent relationship. The question has been raised by some of its members as to whether it can sustain a sufficient degree of autonomy once Madre y Maestra's intensive promotional and organization activities are withdrawn. Another organization, San Lorenzo pre-cooperative discussed below, has the potential open to it to affiliate formally with Madre y Maestra.

In the San Lorenzo area, it was apparent that the major promotional activities and incipient saving and loan program, were the work of Madre y Maestra's volunteer agronomist in his independent capacity as an employee of CARE. The latter had been working with the community since February, 1978 and had help to promote a pre-cooperative of 85 members in September 1978. The pre-cooperative was in the process of obtaining its Personaria Juridica (incorporation). The goals of the pre-cooperative were to obtain potable water, mobilize support for an irrigation project, and establish a savings and credit program for its members. Of 130 families, 85 are members and about half are expected to benefit from the irrigation project. Its Organization Committee seems to be mainly composed of school teachers, who are in turn the sons of campesino families of the zone. The latter continue to farm in addition to their jobs in the rural schools of the area.

This pre-cooperative intends to integrate itself eventually into Madre y Maestra. Its current modest and small-scale savings and loan operation is modeled after Madre y Maestra and other savings and loan associations. A few loans have been disbursed from internal funds for amounts ranging from \$1,000 to

\$ 3,000 for tools, seeds and fertilizers, as well as family consumption for terms of seven months maximum.

Procedures

Application

Procedures and conditions for applying for and approving agricultural loans are not distinct from those of consumer loans and there is not separate application. The application is simple, but contains no items which pertain to an individual's productive unit, land tenure or other factors which would help assess a campesino's assets, needs or the feasibility of a proposed investment.

Campesinos applying for loans are expected to meet the conditions expected of urban applicants with the important exception in San Luis. A one-to-three, savings-to-loan ratio is required of all loan applicants. Instead of requiring an eight month period of membership prior to loan application negotiation, only a 4 month period is required of campesinos. Campesino applications for loans require only two instead of three guarantors. All campesinos, with the exception of those from the San Luis, must present themselves at the central office to apply for a loan.

Size, Terms and Interest Rates of Loans

Madre y Maestra's campesino credit activities were minimal, due in part to restricted funds available for lending. Discrete loans tended to be in small amounts.

In San Luis, Madre y Maestra's pilot community, most of the members expressed satisfaction with the credits, the interest rates, terms and, most of all, the ease of obtaining loans.

This is not to deny that some opinions were expressed in San Luis favoring increases in the loan program - greater amounts, at more prolonged terms - to allow for inputs other than seeds and fertilizers. One collective credit need identified by many members of this cooperative is for a tractor. One of the advantages perceived in their organization as a cooperative affiliated with Madre y Maestra is that this need is currently being explored and sources of loans and conditions coordinated by the mother cooperative.

Campeños' Need for, Attitudes Toward and Uses of Credit
(Tarija)

Many of the loans classified by Madre y Maestra as agricultural may in fact be destined not only for agriculture, but for other needs of rural dwellers. In the years 1976, 1977, and 1978, Madre y Maestra reports having disbursed respectively 142, 163 and 185 agricultural loans. However, they revealed that these loans were approved for medical payments, consumer goods and improvement of dwellings, as well as seeds, fertilizers and implements.

San Luis Cooperative

In the pilot project community San Luis, loans were conservative. Credit was extended to finance a traditional crop - potatoes. The risks each farmer took were minimal. No dramatic benefits were reported.

Some San Luis borrowers noted their use of fertilizers for the first time with a resulting increase in production. Among all of these campesinos there has long been a commitment to the annual purchase of seeds, rather than the more traditional practice of campesinos in other areas, who save a portion of their crops for seeds. Campesinos in San Luis report that the use of last year's

seeds result in a decreased crop yield and for them the availability of credits for seed purchase does not constitute the introduction of a technical innovation. A few of the campesinos reported increased yields from the varieties planted as a result of the credits. They indicated that the credits for the seeds and fertilizers were a help because they lack the funds to plant some years: "We don't have the money." Some admitted that the credits did not signify a great deal in their lives. However, among those who have had unfavorable personal experiences with more substantial loans there is a sense that smaller, low risk loans are better.

Most of the members of the cooperative of San Luis are in economic situations which are constrained by small plots and limited resources. However, the following exceptional case is reported to demonstrate the attributes of one relatively successful credit user. The latter has effectively combined a stronger resource base - 6 has., 4 of which are irrigated, a diversified agriculture, enhanced by an astute management of resources and a successful history of credit use. The case is presented because it illustrates a number of themes:

- o Credit use by females.
- o Dual credit use i.e., the simultaneous use of a long term loan from BAB for the purchase of cattle and a short term credit for seeds and fertilizer from Madre y Maestra.
- o The advantages of a diversified agriculture as insurance. In the present case this involves the production of a number of fairly lucrative

cash crops : onions, tomatoes, cauliflower etc.
complemented by a secure source of income from
the production and sale of milk -- an asset
facilitated by this community's proximity to an
urban market.

SAN LUIS COOPERATIVE MEMBER--"DOÑA ANA"*

Doña Ana, age 56, is one of the most successful small producers of San Luis and a member of the cooperative organized by Madre y Maestra. Her fundamental asset is title to a relatively more ample plot of land which she received as a beneficiary of the agrarian reform. She manages a diversified agricultural production unit which allows her to maximize her resources and minimize risks. Her agricultural production is devoted to vegetable crops which bring a relatively high margin of profit and the cultivation of potatoes, a traditional crop, half of which production is retained for family consumption and the remainder sold.

Dona Ana combines the above assets with ownership of 15 cows, 7 of which are currently in milk production. Because San Luis is close to the city of Tarija, many community women ensure a regular, small cash income through the sale of milk. Contracts are usually made in the city for a specified amount of milk, which most women deliver daily themselves. Dona Ana has been so successful that she hires someone else to make daily milk deliveries.

Dona Ana reports a history of credit use commencing in the 1950's with a loan from the Banco Nacional. She is currently paying off a long term BAB loan for the purchase of cows and alfalfa seeds for their feed. She meets the twice yearly payment with the cash derived from their milk production. Concurrently, with her long term BAB loan, Dona Ana is one of San Luis's cooperative

members who has taken out a short term credit for potato seeds and fertilizers.

The use of credit, need for credit and demand for credit varied among San Luis borrowers. The majority of whom, however, suffer from a more limited resource base than in the above case, causing many to resort to non-agricultural wage labor.

Most credit histories collected among geographically dispersed campesino members of Madre y Maestra, revealed less positive credit experiences in contrast to the exceptional case of Dona Ana. The two cases reported below reflect some of the variable use of loans and credit experiences. The interviews were collected in the area of La Concepcion where grape production is increasingly the preferred crop.

Madre y Maestra Cooperative Campesino Member-"Don Jose" *

Don Jose had a total of FIVE cultivatable hectares on which he was primarily cultivating maize, with one hectare in potatoes at the time of the interview. The campesino reported being a member of several sections (savings and loan, consumo and vivienda) of La Merced since the early 1970's. In 1973-74, he relates having applied for an agricultural loan, but notes that at the time credits for agriculture were not being disbursed. He applied for a loan for purposes other than agriculture. The \$b2,000 loan was used for potato seeds for the cultivation of 2½ has. and while he claims an adequate harvest, he reports difficulties that year in the sale of his crop. Forced to sell at a low price, he canceled the loan by selling one of his oxen - a severe price for the credit experience.

This campesino believes that credits should be given to campesinos "only if an economic study is made first to see if they can benefit and repay the loan, especially if they have a cow or animal as a guarantee". This particular campesino also reported having once received a bank loan for \$b8,000 for wheat. The sale of his crop yielded \$b10,000; however, when he considered the investment, interest rate and cost of jornales, he claims to have been left without profit.

Despite a series of unfavorable experiences, he would like to obtain a future loan. He would like to use the loan to cultivate grapes, a crop which yields a good price and has an excellent market in the area because of TARIJA'S DEVELOPING wineries. "Don Jose" shows a goal common among most of the campesinos in Madre y Maestra's radius of action, many of whom are struggling near - subsistence farmers engaged in the cultivation of traditional crops: the desire to initiate or expand grape production.

Madre y Maestra Cooperative Campesino Member-"Don Luis"*

"Don Luis" who now cultivates grapevines in 1.2 ha. of his small holdings, reported an unfavorable credit history and explained his decision to go into grape production despite the difficulties for the small producer. The individual's early credit history involved informal loans from friends in the area who would lend small amounts for seeds and charged 6% monthly interests. However, such loans proved to be difficult because of limited capital. For three years he received short term loans from BAB for potato seeds. At first he produced an average crop, but then subsequent crops became infested with a plant disease resulting in

considerable crop loss. He managed to keep up his payments by working as a tailor, but now says that he wants no part of bank loans. "They are too strict and won't wait even an hour. I want to rest from the strain of having to make payments."

Don Luis has gradually invested in plants, wire and posts for a very small vineyard. Despite limited years of formal education, he has been working as a rural school teacher in order to finance the costs of this investment. This investment was calculated at \$6,000 for the $\frac{1}{2}$ ha. in grapes. He indicates that it will be difficult keeping up or expanding grape production because viticulture will require a continual source of credits to purchase insecticides and to pay hired labor. He notes that for campesinos, grape production is a struggle.

"Instead, people with sources of capital, like lawyers and other urban professions are buying up land from campesinos who can't work it because of lack of capital, and because of the farmers sources of capital, they are finding grape production lucrative."

*1/

Don Luis, was able to repay his agricultural loans and later to self-finance his investment in agricultural innovations with income from wage labor performed near his land. He is relatively fortunate. In Tarija, the economic situation of many campesinos forces them to leave their land and to work as peones (laborers) for large scale grape producers, or in the sugar mills of Bermejo in South Tarija; others migrate even further to find wage labor opportunities. Those closest to Tarija, such as in San Luis, have been seeking urban jobs.

These three cases also serve as examples of campesinos in transition between "traditional" and commercial agriculture. This process is charted and discussed. (See below, Part II)

Impact and Institutional Social Feasibility

The creation of a rural cooperative, sketched above, and detailed in the preliminary report (De Megret August 1979), has represented an intensive input of volunteer time and personnel by Madre y Maestra. It is however, too early to determine the success or failure of this effort. Yet, one of the advantages of cooperative base organizations, such as that of the pilot project in San Luis, is that a potentially efficient channel for the disbursement and administration of agricultural credits is open to the central cooperative. In contrast, other Madre y Maestra agricultural loans have been disbursed to individuals scattered in distinct communities. In such cases, the campesino borrower is obliged to visit personally the main cooperative and receives less support and no auxiliary services, such as those available from the agronomist in the case of San Luis.

The local level cooperative model, as illustrated by San Luis, mediates between members and Madre Y Maestra and encourages communication of needs. San Luis' members have identified a common felt need for a tractor loan and Madre y Maestra is exploring and attempting to negotiate for the cooperative. It is also noteworthy that Madre y Maestra, which holds weekly meetings of their committee of directors, supposedly includes a representative of the Agricultural Section, i.e. a campesino from San Luis. It is presumed that this policy of including campesino representa-

tives among representatives of each section in weekly discussion of problems, plans and activities, will be extended in the case of expansion of their agricultural credit program.

It is clear, however, that apart from the pilot organizational effort in San Luis, Madre y Maestra's agricultural credit program lacks an existing institutional framework on which to expand its limited agricultural program. In effect, an entire structure would have to be created from scratch, presumably based on the pilot model of San Luis. The San Luis pilot organization has problems, but also some promising aspects as an organizational model in which to base an expanded agricultural credit program. The pitfall of this promise is illustrated by respondents' discussions, noted above, of one local cooperative promoted by Madre y Maestra which was perceived to have failed once Madre y Maestra organizational efforts ended: the Cooperative of Santiago de la Concepcion in Aviles province.

Madre y Maestra has demonstrated administrative success in many fields of action. In the light of its institutional track record, some of its strengths may be expected to be carried over to the field of agricultural credit. Its experience to date in agricultural credits, is, however, too limited a basis on which to project its future performance.

In the light of demonstrated strengths of this institution and the value of encouraging non-banking institutions as alternative sources of agricultural credit destined for campesinos it would be unfortunate to exclude it totally from participation in the proposed U.S. AID agricultural credit project.

While Madre y Maestra lacks the current staff and base organization structure to immediately absorb large sums of credit, a compromise measure might be to provide moderate support for the hiring of at least two agronomists with experience in rural credit delivery and cooperatives and the purchase of vehicles in order to build an agricultural program on a modest scale. It would take at least a year in order for a minimum staff to conduct the promotional activities of forming viable local base cooperatives based on the San Luis Model. Once completion of this phase is demonstrated, funding and loan support might be increased.

CASE 3: FENACRE, THE NATIONAL FEDERATION OF
SAVINGS AND LOAN COOPERATIVES

INTRODUCTION

Profile

FENACRE is a national federation of 185 savings and loan cooperatives with an estimated 130,000 members throughout Bolivia. This institution has resulted from a predominantly urban movement which since 1961 has concentrated its lending activities in cities and urban centers. It currently has savings and loan affiliates in Santa Cruz (48), La Paz (48), Cochabamba (45), Beni (9), Tarija (9), Potosi (8), Sucre (10) and Oruro (8).

Complementary Studies

The history, administration and fiscal operations of this institution have been investigated in depth by John Magill and Glen Ames (U.S. AID/Bolivia, August 1979). They conclude that in terms of the over-all institutional aspects, FENACRE is "strong and viable". FENACRE's recent experiences in the field of agricultural credits have also been reported. Procedural aspects and its system of delivery to local rural affiliates and in turn individual cooperative members will be reiterated here only to the extent that the system of delivery and its component procedures suggest strengths lacking in the previous two institutions surveyed.

Focus of Case History

As in the cases of La Merced and Madre y Maestra, the issue orienting inquiry into FENACRE was the extent to which an urban based institution oriented to urban needs has effectively diversified its operations in rural spheres. More specifically,

the extent to which this system is reaching campesinos and the latter's perceptions, needs, and views.

In addition, FENACRE's official low delinquency rate in contrast to that of La Merced became a focus of inquiry. Finally, its discrete program and integration of viable affiliate cooperatives has heuristic value for cooperatives such as Madre y Maestra which is in a more initial phase of developing an agricultural credit delivery program on a similar model.

Geographical Delimitation of the Study Area

This report is based upon contacts and interviews with personnel of FENACRE's main office in Cochabamba, and campesino loan recipients interviewed in the area of Gliza, in that department, while observing FENACRE's rural affiliate-Nuevo Horizonte. Nuevo Horizonte is a rural cooperative located 40 kilometers from the city of Cochabamba. It may or may not be representative of FENACRE's local rural affiliates located elsewhere in Bolivia such as Santa Cruz, Beni, La Paz, Tarija or within the same department of Cochabamba. Time and logistical constraints prevented a wider familiarity with FENACRE's rural credit operations and recipients. Thus, the report below is restricted to observations based on a single community case-study, as well as consideration of FENACRE's over-all agricultural credit program, its philosophy and procedures.

CAMPESINO CREDIT PROGRAM

FENACRE has a formal agricultural credit program known as the Programa Integrado de Creditos a la produccion or P.I.C.P.

Organization

Radius of Action

FENACRE functions as a secondary level lending source, which channels loans to affiliate cooperatives. Since 1978, FENACRE has expanded its loans to affiliate cooperatives to include credits for agriculture, livestock, artesanry and small industries under its P.I.C.P. program. This program is financed by a \$123,560,000 loan from OCLAC/BID: the Interamerican Development Bank. Loans from this source have been channeled to FENACRE's twenty rural affiliate cooperatives located in provincial towns of Santa Cruz, Cohabamba, Beni, and Tarija. The memberships of these FENACRE affiliates include both campesino and non-agricultural townspeople. Specifically agricultural and livestock credits have been disbursed to fifteen of the rural affiliates, apparently those with the most substantial campesino memberships. I cannot attest that all of these agriculturalists meet the criteria of the "small farmer" stated in the U.S. AID PID as qualifying for credit under the proposed loan program. However, loan recipients in Cohabamba seem to fall within the range of campesinos serviced by BAB in the area (see analysis below of credit recipients from Nuevo Horizonte). FENACRE can be contrasted in organizational form with La Merced which lacks a strong participatory base.

Administration, Local Affiliates and Linkages

The relationship between the federation and its affiliated cooperatives structures the credit delivery system of FENACRE. One of the inherent strengths of this system as opposed

to that of La Merced and Madre y Maestra is that it is based on an apparently solid and viable base organization. The cooperative Nuevo Horizonte, for example, has a centrally located cooperative office administered by a member of campesino background, a former president of the cooperative who is now a full-time paid administrator. There is also an active local credit committee which is reported to meet once and sometimes twice a week to review credit applications, and which serves as a control upon the administrator's performance.

The local affiliate cooperative mediates between the loan recipient and the Federation (FENACRE). The local cooperative combines a degree of autonomy with supervisory control on the part of the Federation. Each cooperative has sufficient theoretical autonomy to deny a loan at the local level on the basis of an individual's known character, or feasibility of the loan. It can also override the final denial at the Federation level by issuing a loan to a member from its own limited internal funds. FENACRE reported rejection of only 1% of agricultural loans emanating from affiliate rural cooperatives. The cooperative in Gliza, for example, holds shares in a cement factory and acts as a local distributor as a means of producing revenue. It was not ascertained, however, how many loans it independently issues apart from FENACRE's BID/COLAC sources.

It appears that its independent loans are not issued in categories not covered by BID/COLAC criteria. For example, during the period of my observation, a woman was applying for a loan to buy merchandise for the stock of her small commercial store. It

was made clear that if this loan was accepted it would be separate from the agricultural credit program.

Loans, however, processed under the rubric of FENACRE's P.I.C.P. program must clear through the Federation. The Federation maintains a policy of control and "supervision" of the credits disbursed to ensure that the loan has been invested properly. However, with an existing staff of four agronomists disbursed in four regional offices, professional supervision and direct contacts with campesinos can be assumed to be minimal. "Supervision" of loan recipients is instead under the direct responsibility of the local credit committee and the administrator or manager of each cooperative. Below is a full description of the loan application and credit delivery process with an explanation of the relationship between the federation and affiliate cooperatives and between the latter and the campesino credit users. Of the three cooperative institutions surveyed, FENACRE's systems and procedures are the most explicit.

Philosophy

Among all these institutions, personnel and campesino leaders alike expressed a belief in the Bolivian campesino's integrity and responsibility towards credit obligations. Some of this faith is obviously expressed rhetorically. However, it appears that FENACRE's experience, at least, affirms the notion that barring crop losses due to natural causes, or economic loss due to fluctuations in market demands and prices neto campesinos can be counted upon to repay loans.

FENACRE's philosophy is that when a campesino perceives an institutional loan as a gift, or where preferential treatment is given to some borrowers, a lesser sense of obligation will be felt. There is also widespread recognition among credit institution personnel that campesinos, as opposed to middle and large size farmers, will not attempt to "take advantage". This is attributed to the campesinos weak political position and lack of clout as compared with the latter politically and economically stronger class of agriculturalists.

FENACRE believes that its organizational structure and philosophy largely account for its favorable repayment statistics. In other words, FENACRE claims that if the primary level base cooperative organization is viable and has encouraged a strong participatory sense, members will view the cooperative as their own, with a consequential stronger sense of obligation on the part of its borrowers.

Loans.

Repayment Record/Low Delinquency Rate

A striking feature of FENACRE's agricultural credit program is its claim of low delinquency rates. While only one index of a program's effectiveness, it is worthwhile analyzing in passing some of the apparent bases for their positive experience.

At a secondary (national) level which channels loans to affiliate cooperatives, FENACRE claims a zero rate of delinquency. On the primary level of loans from an affiliate to members, a 1.7% delinquency rate is reported. This is the lowest rate of delin-

quency for all institutions surveyed.

FENACRE's organization and philosophy, characterised in a strong participatory base on the local level, may be a contributing factor to low delinquency rates. By contrast, La Merced which lacks such a base, had such high delinquency rates that moratoria on new lending had been declared. The degree of participation in well organized local affiliates and rate of delinquency superficially COVARY IN THE cases of FENACRE and La Merced.

However, a factor of equal or more importance accounting for FENACRE's low delinquency rates may be their explicit policy of excluding loan requests to finance production of certain crops.

FENACRE's loans to the small farmer have favored credits for livestock and poultry production. This policy is due to the higher risk of certain agricultural crops as a consequence of serious marketing problems. FENACRE's explicit policy is to EXCLUDE CATEGORICALLY loans for rice, wheat and sugar cane. These are among the highest risk cash crops cultivated by campesinos in Bolivia due to the vulnerability to market demands and price fluctuations. Rice is, in addition, a particularly susceptible crop to disease and drought. Wheat is probably one of the most problematic crops in terms of price to the campesino and difficulty in commercialization. The irony has been that while Bolivia has not produced sufficient wheat to meet its internal demand and has had to import larger quantities, its campesinos, especially in Chuquisaca, have not been able to sell their wheat, or are forced to sell at critically low price margins relative to production costs. It is not surprising that BAB's (see following report)

delinquency rates for the small farmer have been reported mainly in the wheat producing micro-regions of Rendecion Pampa and Mojocoya.

FENACRE's chief agronomist in its central office has demonstrated considerable knowledge of and sensitivity to the market constraints of a successful agricultural credit program. It is obvious that FENACRE's strategy to exclude certain crops has been effective in terms of optimizing returns of loans and minimizing delinquency.

One can, however, question the aggregate effects on future production levels of these crops in Bolivia. This is a serious issue which needs to be considered since Bolivian credit institutions, especially with expanded credit programs, may influence production and prices. FENACRE's program policy may be economically sound, but it is socially problematic in terms of responding to the needs of vast numbers of the target population currently committed to rice, wheat and sugar cane production.

Procedures

Campesino credit recipients, among the limited sample interviewed in the area of Gliza, Cooperative Nuevo Horizonte, expressed satisfaction with the lending procedures. The administrative procedure for the disbursement of loans seems to be one of the most effective of the rural credit delivery systems surveyed. Unfortunately, time and logistical constraints prevented me from interviewing a wider sample of loan recipients in order to verify the theoretical strengths of this system as perceived at the base.

Application. The affiliate cooperative members apply directly to the local cooperative. The local manager or administrator fills out the application. FENACRE's agricultural credit application is distinct from those used for urban-type loans. It has been specialized to meet the situations of an agriculturalist. The application is similar to that of BAB in that it is comprehensive and includes a total analysis of the assets of the individual's agricultural or livestock production unit. Items for reporting projected production costs allow for calculations of gross and net profits.

Land titles are not required for a campesino to apply for a loan. Instead the individual's Identification Card (Carnet de Identificación) or electoral cards may serve.

Loan Processing-Steps. 1) The local manager or administrator is responsible for investigating the application. In the case of Nuevo Horizonte, the current administrator is a mature local individual of campesino background who claims to know all of the cooperative members. As a former officer of the cooperative he obviously gained experience with its operation and seems adequate to perform his current tasks.

2) The local manager or administrator is responsible for completing a written report on the feasibility of each project. This report is then submitted to the local credit committee. This procedure allows for a check at the local level. It is interesting to note that this pre-screening level is conducted by non-professionals, whereas this stage of the process is handled exclusively by BAB's professional agronomists. It would

seem that the BAB process is inherently more efficient because it eliminates the pre-screening step. However, in terms of potential to reach more loan beneficiaries under an expanded program, FENACRE's model has an advantage. The two systems need more systematic study; however, it might be noted here that FENACRE's system is a classic case of decentralization which integrates the non-professional grassroots in decision making of the credit-delivery system. FENACRE's system has a socio cultural advantage: throughout Bolivia, campesinos have stressed that it is local people who know their neighbors, their character, integrity and diligence.

The affiliate cooperative is expected to consider these qualities of the applicant as well as the feasibility of the investment according to whether it seems economically profitable, technically practicable and socially recommended. It is in the latter aspects that some might question the role of non-professionals. However, it is noteworthy that FENACRE's agronomist, head of their P.I.C.P. program, who eventually reads all applications, has only had to reject 1% of loan requests at the Federation level. Such rejections have been made for technical reasons, as when a production loan for the production of 1 ha. of potatoes is requested for \$40,000 and it is known that the cost of production should not exceed \$5,000. FENACRE, beside a policy of excluding certain crops, also gives preference to "traditional" crops. It contends that "campesinos know best because of practical experience in planning for and managing such crop production".

3) Once the local cooperative has assembled a minimum of 10 loan applications, they are forwarded to the Federal office in Cochabamba (or its 4 regional offices) for review by the agronomist and FENACRE's credit committee. The minimum requisite of 10 applications might be a source of delay. However, the rationale of efficiency seems justified. At the level of the federation the decision process is claimed to take from 24 hours to a maximum of one week.

Prior to sending loan requests, the cooperative is expected to classify its applicants regarding their character, behavior and responsibility, according to a system of classification ranging from A, B, C or D.

All individual member applications are made on the level of the affiliate cooperative. An individual's application directly to the Federation is not permitted.

4) Loans approved by the Federation, along with checks for the approved amount, are forwarded back to the local affiliate for decisions.

Terms and Conditions of FENACRE to Cooperative and Cooperative to Individual Members.

Terms:

- o FENACRE lends to the cooperative for terms up to 12 months with a 6 month period of grace during which only interest is charged for agricultural loans. For livestock loans, the terms are up until 24 months with 6 months of grace.

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- o The cooperatives lend to members for terms of 10 months for agriculture with 6 months of grace and twenty months for livestock loans, with 6 months of grace.

Interest Rates:

- o FENACRE's interest rate on loans to cooperatives is 10% annually over balances.
- o Interest rates of cooperatives to members is 13% annually.

Additional Costs:

- o A 6% annual penalty is charged to loans which are overdue.
- o With the object of capitalizing the cooperative, the cost of each loan is increased 10% of the total cost of each production loan. This percentage is also added to the cost of the individual member loan.

Campesinos Need for, Attitudes Toward and Use of Credit -
Nuevo Horizonte, Cochabamba

An Affiliate

Nuevo Horizonte is located in the rural town of Cliza, population 2,000, in the Province of Cordan, approximately 40 kilometers from Cochabamba. The cooperative claims a membership of 859, the majority of whom are reported to be campesinos. However, it was noted that many of the campesinos of this area are engaged in secondary occupations which complement incomes derived from agriculture or livestock activities. This phenomena is attributed to the small land-holdings and the inability of the productive base to support the economic needs of their families.

Twenty three recipients of FENACRE's P.I.C.P. loans are listed in the cooperative's kardex files. The majority indicated occupations other than agriculture, such as merchants, carpenters, mechanics and tailors. This factor may also account for low delinquency rates claimed by FENACRE, at least in the case of this affiliate. Indeed, campesinos with sources of income other than agriculture are in a better position to repay loans should they experience losses due to crop failure or loss of livestock due to disease.

Production loans under the categories of livestock and agriculture, channeled to this cooperative through BID/COLAC, amounted during 1978 to \$b110,000 in agriculture and \$170,500 for livestock, with 14 recipients. Among all current recipients (25) to date the largest single loan disbursed to a member of this cooperative amounted to \$b40,000 with the smallest loans being for \$b2,250 and \$b5,500 and the rest falling within a range of \$b10,000 and \$b22,000. Thus, average loan sizes are probably larger than La Merced and Madre y Maestra's because of FENACRE's flexibility in no longer requiring that agricultural loans be tied to an individual's total savings. The maximum credit extended to an individual is up to ten times the net savings of that member. FENACRE states that their policy is not to limit loans to savings, but rather to grant loans in accordance with the validity of the proposed plan of investment. The individual applying for a loan must however, demonstrate a regular savings history. It might be noted that the ability of FENACRE to disburse loans according to the validity of need, rather than achieved savings, is enhanced by the availability of an external source, i.e. BID/COLAC, rather

than dependence on internal funds alone. The theoretical principle of savings-loan associations is thus broken, especially once funds are no longer generated by internal income.

Loan Recipients

(A Profile of FENACRE's Loan Recipients-Cooperative
Nuevo Horizonte, Gliza)

This is an area of "transitional" agriculture. Campesinos have been described as progressive and change oriented. The principle crops cultivated are potatoes, corn and wheat, with a small amount of livestock and dairy production. FENACRE's agronomist considers the area "transitional" because of the widespread use of fertilizers and purchase of improved seeds. However, soil analyses and "rational" use of fertilizers and insecticides is still rare. Despite the minimal size of plots per family, the use of rented tractors is becoming common. Campesino production is intermediate between cultivation predominately for family consumption and production of commercial crops for sale.

Gliza, the locale of this cooperative, is a relatively dynamic town with weekly fairs for the sale of produce. In the surrounding communities where interviews were conducted, dwellings are nucleated or concentrated on the roads which allows for greater interaction and communication. With easy access to Gliza, the provincial capital, as well as to Cochabamba, these campesinos do not suffer from the isolation evident in other zones of Bolivia. Gliza is a short distance from Ucurena, the site of the signing of the agrarian reform. The entire zone was and still is a highly politicized area. While Quechua is the principle language spoken, many are bilingual and the population is hardly among the most

"traditional" in Bolivia. A generation after the agrarian reform, continuous land fragmentation has resulted in the need for many campesinos to seek secondary occupations. The relative dynamism of Gliza, a town of two thousand, and its proximity to Cochabamba has allowed for a diversified campesino economy.

Campesinos in many parts of the department of Cochabamba, in comparison with, for example, those of the alti-plano and Chuquisaca, have had more exposure to experimental farms and extension programs.

Campesino members and loan recipients of Nuevo Horizonte, have land holdings which range from one and a half to ten has. Most fall in the middle range of campesinos within the category of small farmers.

Most of the loan recipients, interviewed, reported satisfaction with the size and facility of obtaining credits from the cooperative. A few complained of delays in credit disbursement. Of these, one had applied for a loan which was not received for three months, but it did arrive on time to plant his crop. The latter emphasized the importance of applying for loans in advance. He is a 56 year old campesino who has been a member of the cooperative since 1965. His credit history with the cooperative involves minimal size subsistence credits for corn, potato and wheat seeds. Until now the credits were obtained directly from the cooperative's internal funds (as noted earlier, FENACRE does not channel funds for wheat). In the case of this campesino, his 1972 credit for what proved a problem not so much because of market constraints but due to a drought. As a consequence, he suffered a loss of one half the expected crop yield. He managed to repay the loan as a result of the sale of chicha (corn beer is

produced by many in the area and is a source of cash income). Two of his cooperative loans were not for production purposes but rather for the medical treatment for his wife. None of his credits resulted in dramatic changes in his productive economy, but the loans have been subjectively significant in terms of ensuring survival of the family.

Most loan recipients claim some improvement in their lives, albeit minimal. One recipient of a \$b15,000 loan under FENACRE's P.I.C.P. (Prestamos, Integrales a Campesinos Pequeños), used the loan for the purchase of a lactating cow and small calf. This campesino devotes the milk production of his few cows to the production of cheese which he sells in the town of Gliza, and from which he derives a small cash income. He notes a slight increase in income as a result of the purchase of an additional cow which the credit made possible. This campesino indicated preference for loans from the cooperative because private informal loan sources charge four to six percent monthly and because private lenders have limited funds. He had one negative experience with a private loan for \$b500 (note, this loan was transacted prior to the 1972 Bolivian devaluation). The loan was invested in the purchase of seeds which were lost because of a drought. When the loan became due eight months later he could not repay it. As a consequence, he went to Argentina to obtain wage employment to cancel the loan which by that time had cost him \$b1,000 with the interest.

In one case of a campesino, described as especially progressive and hard working, one can note both aspects of an ongoing process of improvement in resources and the possibility of overextension. The individual recently purchased eight has.,

FIVE OF WHICH ARE IRRIGATED TO EXPAND HIS PRODUCTION BASE WHICH HAD BEEN LIMITED TO TWO HECTARES.

This campesino is simultaneously a member of the savings and loan cooperative Nuevo Horizonte and the integral cooperative of Punata which is not too distant from Gliza. From the latter cooperative he has obtained a \$b50,000 loan for the down payment of a tractor. From Nuevo Horizonte he has obtained a \$22,000 credit for potato seeds. He intends to pay off the tractor loan, plus meet the three times a year payments to the tractor agency, with the funds generated by the rental of the tractor to campesino neighbors.

This campesino is presently having difficulty meeting his payments to Nuevo Horizonte for the seed credit. If he meets his obligations, he will be in a relatively strong economic position.

IMPACT

The impact of the credits disbursed as a result of FENACRE's program are difficult to measure on the level of individual campesino recipients. However, FENACRE's credit delivery system is efficient and its model of channeling loans through local cooperatives, at least in the case observed, is effective and functions well. Its impact upon campesino recipients might be enhanced with the amplification of his present limited staff of agronomists. At this time, it is essential to note that FENACRE's staff of four agronomists disbursed in four regional offices is critically limited given their aspirations of extending a more integral credit program. They seem capable of delivering such a program with the addition of minimal resources.

BAB (BANCO AGRICOLA DE BOLIVIA)
P.C.P.A. COCHABAMBA AND CHUQUISACA

INTRODUCTION

Institutional Profile

Since 1942 the Banco Agrícola de Bolivia (BAB) has been the predominant source of agricultural credit in Bolivia. It has traditionally concentrated agricultural credit activities among medium and large scale agriculturalists. In recent years, as a result of access to P.C.P.A. and FRA II funds, BAB has shifted its credit disbursements increasingly to the small farmer, i.e. campesino sector.

Throughout Bolivia the prevailing view conveyed by both campesinos and officials of development institutions and programs has been that BAB favors the medium and large farmer and has not been reaching the majority of the population of neto campesinos (genuine small farmers). At the least, it is widely held that BAB favors the relatively more prosperous of the campesino population. This conviction among campesinos and non-campesinos persists along with other stereotypical notions of BAB which may no longer hold true.

The opinion that BAB is not reaching the true campesino was not sustained by recent interviews and observations, albeit in a limited area of BAB's radius of action. It appears that BAB has recently initiated policy changes and there is evidence that these changes have had positive effects.

There is evidence that BAB is now reaching increasing numbers of small farmers through its PCPA and FRA II programs, albeit

not the ~~SMALLEST~~ of the small. It is also not reaching those campesinos who are most physically isolated. Nevertheless, it may be asserted that a serious current problem of BAB is that it suffers from poor public relations, and in particular, an ideological or public image lag. Throughout Bolivia, contact with campesinos in four departments suggest that this problem may have serious consequences. Many campesinos have in effect rejected BAB as a source of credit. SOME small farmers BELIEVE that BAB is not within their reach, if not literally inaccessible (which is sometimes the case), because of fears of BAB's conditions and requirements.

Complementary Studies

The Banco Agricola de Bolivia and its small farmer's credit activities has been studied extensively by Ladman, Tinnemeler and Torrico (ROD/U.S. AID Bolivia 1977) Ladman and Tinnemeler (ROD/U.S. AID Bolivia 1978) Russell Hale (CID, Bolivia 1979) and others who have systematically analyzed fiscal, administrative, procedural and historical and overall institutional aspects of this banking system and its credit delivery to small farmers. David Hansen focuses upon group loans in a sociological study concerned with BAB's (U.S. AID 1979) campesino group clients.

Focus of Present Study

My own study complements that of Hansen and concentrated only on individual rather than group LOANS EXCEPT WHERE FORTUITOUS CASE and experience were disclosed by current credit users of alternate institutions survey.

A systematic study of BAB's loan recipients within the category of the small-farmer was not possible. Due to a limited

time frame, and the fact that a major portion of my time was devoted to three alternative credit systems, or non-banking institutions, inquiry into BAB's impact and the perceptions of its campesino loan recipients was restricted to the context of two micro regions. Thus, the observations and conclusions expressed below may not reflect the entire universe of its campesino clients.

The objective of the limited inquiry was to survey current campesino credit users to determine opinions and experiences regarding agricultural credits in general and their perceptions on the BAB credit delivery system. The orienting questions WERE: what are their characteristic credit needs and has the credit delivery system been improved from their perspective as a result of BAB's recent procedural innovations.

In addition, a motivation was to reconcile the public image with BAB official documentation that it is increasingly reaching campesinos through direct contact with a sample of its clients.

Geographical Delimitation of the Study Area

Interviews were conducted according to an access structured sample in the area of Sacaba, Province of Chapare, Department of Cochabamba, and in the micro region of Rio Chico, Chuquisaca. Interviews with BAB officials and agents were conducted in its departmental offices in Cochabamba, Chuquisaca and Tarija. Despite the limited number of current recipients directly interviewed during the course of this study, the perspective of this investigator has been enhanced by two years of recent studies

throughout the Department of Chuquisaca and in Northern Santa Cruz. In the course of the latter experience, considerable opinions were expressed regarding BAB's operations in the mentioned departments.

In addition, campesino views, experiences and perspectives were collected from current recipients of credit from the alternative institutions studied. Some of these experiences and attitudes expressed in the course of interviews are reported in this account.

CAMPESINO CREDIT PROGRAM

Organization

The general aspects of BAB's Small Farmer Credit Program have been described elsewhere (see above references) and need not be reiterated here. For the present purposes, it is relevant to mention that BAB's Agricultural Credit Delivery System differs from the three institutions discussed above. In contrast to the organizational cooperative model, BAB's organizational strategy has been to institute regional agencies in departmental capitals and provincial agencies in a few provincial centers within each department. In Chuquisaca, for example, there are provincial agencies in Monteaguado, Padilla and Oropesa. The latter operates, however, out of the regional office in Sucre. The relationship of the campesino credit user with BAB's agents is a formal client relationship rather than that of a member enrolled in a cooperative organization.

Radius of Action

BAB conducts campesino credit activities in the departments of Cochabamba, Chuquisaca, Potosi, Tarija, Santa Cruz and Oruru and is quasi nation-wide. However, within these departments, provincial agencies are concentrated in areas of traditional demand, which still do not encompass substantial segments of the campesinos in more isolated and/or remote areas. BAB officials have indicated that it is not practical for their agents to serve clients whose farms are BEYOND 10 kilometers, or are not accessible by adequate access roads. Due to the existing infrastructure, the latter eliminates a substantial population, especially in Chuquisaca.

Procedures

Application

BAB procedures and conditions have been widely criticized by former credit users, campesinos in general and non-campesino personnel of development institutions. Critiques have been based on BAB's history of a loan application process which has been encumbered by requirements and excessive paper work leading to long delays resulting in untimely disbursements of credits and excessive costs to the campesino beyond the interest on loans. Nevertheless, BAB has recently modified its procedures and aspects of its loan delivery system have been modified. A few features will be highlighted here, especially those aspects commented positively upon by current campesino clients.

Land titles per se are no longer required for a campesino to apply for a loan. However, the requirement that the individual demonstrate that his land title is in tramite, with at least the

stage of resolución suprema, an advanced stage in the legal process, eliminates a substantial proportion of campesinos, especially some who cultivate rented plots. Most important, land is no longer considered as collateral against loans, but rather animals or harvest or other property.

The loan approval process is also now potentially accelerated as a result of a decentralization in the decision making process and the action required on each application. At the present time, individual provincial field agents can decide upon a loan application without consulting the departmental office. Only when loan applications exceed \$b150,000, does the application pass to the regional office and is the decision out of the hands of the field agent.

BAB claims very few rejections of campesino credit applicants. This low incidence of rejections may be partially accounted for by its pre-screening devices. BAB agents interview a prospective client to see if his plan is feasible and will discourage the individual if the plan does not seem sound. In addition, there appears to be a self-screening process in which a campesino contemplating a BAB loan will get discouraged if he feels that he can not meet requisites. BAB, for example, does require that campesino loan applicants present their carnet de identidad. The process of obtaining such an identity card is often long and tedious, and a campesino may become discouraged and at the least postpone a loan.

A remaining number of documentary requests such as the verification of client's signature on the loan contract, still encumbers the loan application process. The latter requires that a

campesino visit a lawyer or notary's office and pay a fee of \$b20 for the service. Other fees for forms etc. ADD. to the total cost of loans.

Supervised Credit and Procedures:

BAB's campesino credit is supervised, meaning that prior to preparing its detailed application on each campesino's loan request, a visit is made to each prospective client's farm. The objective of this visit is to assess or evaluate the prospective client's assets, land tenure and other aspects of the productive unit rather than extend technical advice per se:

- o The campesino usually makes an initial visit to the nearest BAB agency. Some prospective clients are also encountered by BAB agents during their field visits to clients in the area.
- o A date is set for BAB's agent to visit the campesino's farm. This may be a point of potential delay, although BAB agents claim that attempts are made to schedule visits within the coming week.
- o The first "supervised" visit by the agronomist agent is made to evaluate the prospective client's assets. At this time, a plan of investment in detail is agreed upon. Costs of inputs are calculated, projected yields (based on the norm of the zone) and projected gross and net profits are estimated to determine feasibility.
- o At this time, the term of the loan is determined, number and dates of repayments are scheduled. The number and times of disbursements of loan payments

are also indicated by the agent.

Subsequent visits are scheduled prior to loan disbursements to ensure that previous payments have been invested as agreed upon.

Technical assistance is not usually offered. One agent for example, disclosed that such advice could not be honestly given if the agronomist was not engaged in experiments and demonstrations which would test efficacy of, for example, specific formulas or doses of fertilizers or insecticides or seed varieties for a specific zone. None of the campesino clients interviewed knew about or had engaged in soil analyses.

Size, Terms and Interest Rates of Loans

Loan sizes among BAB recipients tend to be higher than the average loan among the alternative non-banking credit institutions. Only FENACRE's loans are approximating the range. While BAB claims to have no minimal rule for loan size, one of its officials admitted that credits for less than \$b5,000 are not economical to process. In Sucre, the minimum loan cited by an official source was \$b4,000. Calculations of average minimal loans were however, \$b10,000-\$b15,000 with many loan sizes in the range of \$b20,000-\$b40,000. The maximum loan is \$200,000. These loan sizes alone suggest that BAB is addressing a category of campesino who have a stronger resource base, is more experienced and/or is in a stronger position to take risks. Thus, a remaining large category of campesinos who are especially reluctant to take risks and/or those who have had no previous credit experience, are excluded from BAB's reach.

Average BAB loan size in Chuquisaca in 1978 according to official figures was more than \$b20,000, substantially higher than La Merced and Madre y Maestra averages.

Other restrictions imposed by BAB's official or informal policies may discourage the population of potential campesino clients.

Also, BAB officials have indicated that a minimum of five to ten potential campesino clients is necessary before the area will be serviced by BAB agents. In addition, while there is no minimum hectarage required before a campesino is eligible for a loan, two officials have indicated that a six has. minimum is preferred, although loans are issued to campesinos with lesser land holdings. The minimum holding of a campesino client of BAB interviewed by this investigator was 1½.

The following section deals with BAB's credit activities in two areas, the kinds of campesinos being served and the attitudes and experiences of campesinos interviewed.

In the first area, Rio Chico, in the department of Chuquisaca, the context of BAB's loaning activity is described in detail to highlight attributes which optimize the Bank's apparent success with local campesinos. Generalizations other areas should be guarded because of the zone's general assets.

BAB'S CAMPESENO CLIENTS

MICRO-REGION OF RIO CHICO, CHUQUISACA

Rio Chico, province of Oropesa, is an area of considerable BAB credit activity. This is a micro-region whose component communities are located from twenty-eight to seventy-five kilometers from Sucre, the departmental capital of Chuquisaca. The proximity of the city of Sucre, a large market and center of consumption, favors campesinos of Rio Chico in the marketing of their products, lowering costs of transporting products, and in eliminating dependency upon middlemen. Thus, most campesinos obtain higher margins of profit on their products than in other campesino zones within this department.

Apart from the above factors, these communities' general lack of isolation has been enhanced by a concentration and heavy promotional input from regional developmental agencies such as ACLO (Acción Cultural de Loyala), Comité de Desarrollo and the Ministry of Agriculture extension services. The communities residential patterns are lineal and concentrated on the sides of roads thus facilitating access and communication with its population. The zone is also blessed with a mild valley climate and access to permanent sources for year round irrigation, which allow for the cultivation of a variety of ornamental horticultural and citrinal crops which include tomato, cucumber, cabbage, avocado, chirimoya, avocado and citrus fruits in addition to the cultivation of potatoes for family consumption and sale. In comparison with other zones of Chuquisaca, the population is characterized as less "traditional" in its agricultural technology. Land holdings are fragmented and many of the campesinos' plots and small orchards fall within the range of from one-three

hectares, many as little as 1 ha., with six-ten has. holdings being exceptional. Annual family income is reported by ACLO to be \$U.S. 63.90. Among BAB recipients, it appears that incomes and land holdings are larger than average. For example, among campesino clients of DAB who were interviewed, incomes are estimated to be from \$U.S. 250 to \$U.S. 750 with one interviewed campesino's income being as relatively high as \$U.S. 1,000.

The BAB agent of this zone explains that these campesinos in general have greater assets and resources, but it is also apparent that while BAB is reaching the campesinos, it is a limited proportion. Of the 5,320 inhabitants, BAB reports 150 clients in this zone. These are not the smallest of the small producers. Also, the vast numbers of campesinos in Chuquisaca, apart from this and a few other "privileged" zones, remain outside of BAB's as well as other formal institutions' areas of action.

Given the favorable characteristics of this zone in general, it is not surprising that BAB's program has met with relative success. Only one loan delinquent was reported from this zone. The individual had taken out a loan of \$20,000 to purchase a motorized irrigation pump. Unexpectedly a nearby brook, which had dried up, began to produce water and the pump was no longer needed. The campesino had not been able yet to sell the pump. He had anticipated paying off the loan with the sale of his tomato crop; however, the latter had been lost due to a frost.

Most of the campesino respondents in the area of Rio Chico expressed satisfaction with the timeliness of the receipt of their loans and loan size. One reported considerable delay as a result of which his planting had to be postponed. Later, it was dis-

closed by the Agent of this zone that this campesino had received his loan through the FRA II credit line. Until recently, the latter was channeled through the Central Bank which involved an additional delay in loan disbursement. In the past couple of months, BAB reports direct access to FRA II funds and it is no longer necessary for them to have to go through the Central Bank.

The oldest loan recipient (in both senses of the word), among the group interviewed was a 60 year old campesino who spoke only Quechua. The latter has been a client of BAB for the last eight years. He reports that at first "it was difficult to obtain a loan because of elaborate procedures and time consuming requisites." He had to go to the office five or six times, especially with FRA II; there was a delay in Sucre of three-four days because of the tramite of derecho reales (the legal procedure in FRA II credit transactions which require that campesino obtain a document testifying that there are no loans against his property).

He reports that the application process and loan disbursements "this time was easier and more rapid. I have no complaints; no suggestions how it can be improved." He did object to the supervision of the agent before each loan disbursement, suggesting that the delay in waiting for the agent had caused some inconvenience,

Most of the campesinos reported increased production as a result of their loans, but not all could correlate this increase with a substantial improvement in their incomes.

- SACABA PROVINCE, COCHABAMBA

Interviews were also conducted in the area of Sacaba province of Chapare, 30 to 40 km. from Cochabamba. This is a quechua

speaking area as in the case of Rio Chico, Chuquisaca. In both areas, many of the loan recipients are also bilingual quechua speakers. However, neither of the areas can be considered traditional by other cultural criteria, nor their productive strategies. Sacaba is a zone principally of potato production, However, all of BAB's clients interviewed indicated a diversified production with marketing of their potato surplus as well as other commercial crops such as onions, corn, lima beans, barley and some wheat. With the exception of one client in the area who is currently a BAB loan delinquent, all were campesinos with more than minimal land holdings. Among those interviewed, the range in ha. was 5-10 ha. Thus, land holdings among BAB clients appear to be more than the norm which was estimated to be less than 3 ha. in this area. There are 100 families in the area of Sacaba distribution in three communities. Fifteen families are clients of BAB. One of the campesinos' leader's of the zone noted: "many desire credit, but have not gone to apply for loans. They are afraid of credit and scared of the bank."

The following cases of BAB clients illustrate situations and views expressed by BAB clients in the area.

One BAB credit user interviewed was a woman who managed the operation of the family 10 ha. production unit. Her husband is partially disabled as a result of an accident. While most of the responsibilities of production fall on this woman, the loan had been issued to her husband. This campesino family received their loan in 1976, and are now completing payments. The credit was resumed for the purchase of potato seeds, fertilizers, three

head of cattle and two oxen. Satisfaction was expressed with the outcome of the credit because the family now owns 10 cows and production has been good. However, this client disclosed dissatisfaction with the loan process. "The two of us had to make many trips to the office for three months until the papers and documents were in order. It was a difficult procedure and we had to pay all sorts of fees. All the delays almost jeopardized us from getting our seeds planted on time. We had to take out another personal loan for \$500 to start planting on time. We went several times, but couldn't get the loan on time."

It should be noted however that the difficult procedures this client reported occurred prior to BAB's modification of their application and credit delivery process (January 1978).

Two of the clients interviewed sustained bad harvests as a result of excessive precipitation and flooding during 1978-79. One estimated a 50% loss, could not meet payments on his loan and has been granted a prorroga extension by BAB. As in the case of all campesinos interviewed who have received such extensions, satisfaction is expressed with policy despite the prolongation of interest payments.

In a second case, the campesino was first encountered in BAB's Cöhabamba office where he was seeking an extension on his loan, and visited two days later on his farm. This campesino owns 5 has., two of which are irrigated -- a relatively good land base for the area. His BAB loan was for \$b30,000, \$b8,000 of which was destined for the purchase of potato seeds and the rest

for the purchase of two cows and improvement upon his dwelling. As a result of excessive precipitation, half of his crop was subject to a disease. He was able to meet his first payment on the loan, but not the second. He was granted an extension of 6 months, which should carry him through exactly until the next harvest is scheduled.

OTHER AREAS (SANTA CRUZ, TARIJA ETC.)

Campesino experience with BAB loans and attitudes toward BAB as a formal banking institution were collected as incidents in the credit history of individuals surveyed during field work in the radius of the non-banking institutions.

For example, one Tarija campesino indicated he had recently taken out a loan for the first time through the San Luis pilot Agricultural Credit Program at Madre y Maestra:

"I am timid and am afraid of the Banco Agrícola. The year before last, with the Wheat Plan, many people took out credits. It was a deception having us plant wheat. There was no protection. They had us invest all that money in wheat. There was no technical orientation and then we weren't able to sell it. There wasn't any market and the bank wouldn't receive our wheat. There wasn't any support, only risk with the credit."

A Tarija woman, Doña ANA WHO WAS FEATURED IN AN INDIVIDUAL CASE HISTORY IN THE MADRE Y MAESTRA SECTION OF THIS REPORT, (SEE ABOVE) was concurrently a recipient of a (Madre y Maestra) San Luis cooperative short term loan and a BAB long term loan. She used her BAB loan to finance the purchase of dairy cows and alfalfa seeds for their feed. She was meeting BAB biannual loan payments with income derived selling the milk the cows produced; her borrowing and repayment strategy approaches the ideal. Not surprisingly, from her positive personal experience, she advised others to take their credit problems to BAB.

In a second case, reported by a current member of La Merced, the individual, as a participant in BAB group loan, was prepared to repay his portion of the loan, but was not permitted to do so until the others were able to cancel their respective shares of the total loan. This campesino claimed that he was obliged to continue to pay interest and thus stated the frequently heard refrain: "The individual is penalized for the sins of the group." As a result of the negative experience, he is disillusioned with BAB.

A third case relayed by a current recipient of La Merced credit illustrates the general risks of credit usage given Bolivia's precarious market system, rather than a commentary on the flaws of an alternate source of credit. Nevertheless, the negative experience was interpreted by the individual as a fault of the institution. In the account of this campesino, a group loan for 10 persons was received from BAB for \$b24,000 each. The loan was for the cultivation of tomatoes, a crop which is potentially lucrative. The anticipated price had been calculated at \$b200 pesos per carton. While the participants in this group loan reported excellent crop yields, they found that the excessive production at the time their crop was ready for harvest critically reduced the price they could command to only \$b5 or \$b10 pesos. The campesinos involved in the group loan experienced grave economic losses and were at first unable to cancel the debt. Eventually, the loan was repayed by the sale of their animals. The effect of this loan was to decapitalize the campesinos' productive unit. As a consequence of the experience, the campesino interviewed wants no part of group loans. The latter cases may reflect less upon the particular lending institution THAN UPON THE DEGREE OF VULNERABILITY OF BOLIVIAN CAMPESINOS.

PART II

POTENTIAL BENEFICIARIES
AND THE WIDER IMPLICATIONS
OF THE PROPOSED PROJECT

POTENTIAL BENEFICIARIES OF THE PROGRAM

Introduction

Criteria expressed in the Project Identification Document 511-0538 give eligibility requirements which identify the small farmer target population:

"- a farm operating unit will be considered outside of the target group when net income from farming operations exceeds \$1,500 per family or gross off-farm sales exceed \$2,000;

- no farm with more than 10 hectares of cultivated land (20 hectares in the humid Chaco) will be eligible for credit;

- the principal source of the farm's family income must be agriculture;

- the prospective borrower does not have ready access to other credit sources under reasonable terms and conditions; and

- loan repayment ability exists solely from farm income or in combination with seasonal off farm income.

(p.8 06/25/79)

Identification of potential beneficiaries--a Bolivian target population meeting the PID definition of small farmers among persons who were likely to accept the opportunities of agricultural credit--was a task given priority before contract fieldwork began. A methodological design was developed to fulfill this task. It included a formal interview to obtain individual credit histories among both current borrowers of the various institutions under consideration as channels for the proposed AID project purpose and also control groups outside the clientele of these institutions.

Acting on instructions from the AID Bolivia mission personnel, the study sample was limited to the credit users of four institutions under consideration and the focus of the study was redirected to include the social organization of the institutions. The institution case presentation format of the preliminary report and Part I of this final report reflect a response to that request.

The necessity of structuring the sample by access, given severe time and logistic constraints on the fieldwork, and by the institutional radius of action delimitation did not deter the objective of obtaining interviews with campesinos.

An identification of potential beneficiaries and some of their important economic, social and regional cultural characteristics can be made. Cautious recommendations can be asserted, based on the experience reported by a particular universe of respondents (See Appendix A on sample design).

Identification and Characteristics of Potential Beneficiaries

The projected beneficiaries of the proposed AID loan program in the areas surveyed are most likely to be transitional campesinos. Chart II-1 summarizes an on-going process of change in the agricultural sector with descriptive models of five broad categories: four campesino categories and one category, agricult'or or commercial farmer, outside the universe of the Bolivian campesino. The characteristics, conditions under which campesinos would seek formal loans, risks of borrowing and possible consequences of borrowing are modeled for each category.

Transitional campesinos (Category 3 Transitional/traditional crops and Category 4 Transitional/diversified crops in particular but also Category 2 Transitional and Subsistence) can be identified as the most likely potential beneficiaries of the proposed loan program. They would use loans to maintain production levels or to invest in innovative and market oriented production strategies. While these transitional campesinos may not be the "poorest of the poor," their economic situations are both poor and precarious. Normatively the transitional campesinos (Categories 2,3 and 4) would fall well within, even well below, the limits on total family income for the AID loan eligibility and own or have access to less than ten hectares.

It is recommended that lending institutions implementing the AID loan program be sensitive to the characteristics of the transitional campesinos and that sensitivity to their characteristics and needs be built into all aspects of the loan program: institutional organization, loan application and processing procedures, eligibility and collateral requirements, terms, size, repayment concerns etc. In order to reach this potential beneficiary group.

CHART II - 1

PROFILE OF CAMPESINO CATEGORIES IN THE
PROCESS OF TRANSITION FROM TRADITIONAL
TO COMMERCIAL AGRICULTURE

CATEGORY	DESCRIPTORS	NEEDS FOR AND USE OF AGRICULTURAL CREDITS
1. "Traditional" (Subsistence Oriented)	<p><u>Characteristics:</u></p> <ul style="list-style-type: none"> • surplus produced from agricultural production not sufficient to market and there is little incentive to market surplus, if any surplus is produced, in the economic environment • often geographically located in areas isolated from access to markets, whether considering access as a) routes of transportation, b) transportation facilities, c) distance or d) costs • cash needs including for agricultural inputs and consumption needs are often met by wage labor migration on a seasonal basis <p><u>Conditions under which campesino would seek formal loan:</u> unlikely</p>	<p>credits for household consumption subsistence</p> <p>basic hand tools</p>
2. Transitional and Subsistence	<p><u>Characteristics:</u></p> <ul style="list-style-type: none"> • agricultural production is largely consumed by family members and subsidizes the income household; little surplus is produced; agricultural unit and household economy is so marginal that risks involved in market-oriented agricultural strategy and resources (for innovation investments and labor inputs) are limited • cash needs and family income in cash (versus in kind subsistence production) comes primarily from low paid, low status, largely rural and unskilled off-farm wage labor in a pattern better described as irregular than seasonal employment; example- campesino working as a porter for hire (cargador) in a city 	

CATEGORY	DESCRIPTORS	NEED FOR AND USE OF AGRICULTURAL CREDITS
	<p><u>Conditions under which campesino would seek formal loan:</u></p> <ul style="list-style-type: none"> o failure of subsistence crops due to climatic reversals, pests, etc., thus the loss of the household food subsidy o availability of institutions permitting credit to persons with extremely low and irregular income and/ or for subsistence agriculture o change in strategy to reorient part of agricultural production to a cash crop or surplus 	<p>credits for household consumption, subsistence</p> <p>basic tools</p> <p>seeds</p>
<p>3. Transitional/ traditional crops</p>	<p><u>Characteristics:</u></p> <ul style="list-style-type: none"> o campesino still raising traditional crops, including also poultry, dairy, meat o agricultural production may be combined with wage labor o tenure on land farmed may not be secure (<u>anticredito</u>, rental, intra-campesino sharecropping-like arrangements for land access) o production strategy is calculated to produce a substantial surplus for market <p><u>Conditions under which campesino would seek formal loan:</u></p> <ul style="list-style-type: none"> o for consumption credits to subsidize family members who are the basic work force of the agricultural production unit o inputs for improvement of their operation (improved varieties of seed or livestock) o for marketing credits (to pay for truck rental) <p><u>Risks of borrowing:</u> fluctuations in climate, epidemiological factors and internal market demand.</p> <p><u>Possible consequences of borrowing:</u></p> <ul style="list-style-type: none"> o default o recourse to wage labor to pay off debt o decapitalization and loss of resources: livestock, tools, whether through liens --eg. collateral demanded by BAB or FENACRE among others, or through voluntary sale to repay loan 	<p>credits for household consumption</p> <p>basic tools</p> <p>seeds</p> <p>animals, especially oxen and dairy cows</p> <p>land-rental fees or purchase</p> <p>labor</p> <p>marketing</p>

CATEGORY	DESCRIPTORS	NEED FOR AND USE OF AGRICULTURAL CREDITS
4. Transitional/ diversified crops	<p><u>Characteristics:</u> • agricultural production strategy may be combined with seasonal wage labor or a secondary occupation such as <u>chicha</u> beer production, carpentry, tailoring or other craft trades; proceeds from the wage labor or craft production may be used to finance the transition to a complete market-oriented farm strategy</p> <p>• crops still include traditional crops produced for subsistence needs and for sale, but diversification into non-traditional cash crops in demand on the internal or external market has been made</p> <p>• campesino both employs some part time wage labor, especially seasonal, and engages in wage labor</p> <p><u>Conditions under which campesino would seek formal credit:</u> to finance infrastructure or inputs for new type (non-traditional) agricultural production; examples: grape production in Tarija, citrus in Santa Cruz, Cochabamba and Nor Yungas; soya, tomatoes and other "truck farm" type perishables</p> <p>• to finance the cost of seasonal wage labor which must be paid daily or within a very short term</p> <p>• to finance mechanization, usually beginning with rental of equipment such as tractors or trucks</p> <p><u>Risks of borrowing:</u> • fluctuations in climate, epidemiological factors and internal market demand but the higher the cost of production, the higher the risks and the more to lose</p> <p><u>Possible consequences of borrowing:</u> • similar to 3 (above) but may have more resources (fixed assets) of a type which can be collateralized (e.g. tractors, livestock) and more likely to be in a stabilized situation with alternatives</p>	<p>inputs-seeds, fertilizers, insecticides</p> <p>capital investments for non-traditional crop and qualitative or quantitative improvements of traditional</p> <p>**labor</p> <p>rentals of machines</p> <p>transportation expenses to market</p> <p>mechanization</p>

CHART II-1, page 4 PROFILE OF CAMPESINO CATEGORIES IN THE PROCESS OF TRANSITION...

CATEGORY	DESCRIPTORS	NEED FOR AND USE OF AGRICULTURAL CREDITS
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NOTE: THE NEXT CATEGORY IS OUT OF THE UNIVERSE OF THE CAMPESINO

5. Commercial farmer/agricultor

Characteristics most likely to indicate:

- capital intense operation
- cash crop production strategy
- heavy or exclusive reliance and use of paid labor for manual labor on farm

inputs

investments
more land
irrigation
cattle etc.

Characteristics: • exclusive orientation of agriculture to cash crop market production, ending reliance on the subsidy represented by subsistence production for household production though this activity continues among even the larger and largest farmers

labor

• increase of scale, as number of hectares, number head of livestock, degree of mechanization, number of wage laborers employed and permanency of agricultural labor

• critically- the agricultor is no longer dependent on his/her own or family manual labor in agricultural production though management may remain an element entrusted only to family members

• diversification of economic interests and investments and agriculture, especially into commerce

Loans: able to obtain conventional and large bank loans from BAB, Banco Central etc.

Risks of borrowing: few to agricultor borrower but many to lending institutions - borrower agricultor is defended by social and economic status ("political clout- cf. Ladman 1978), access to banks and by other investments; risks also reduced on large loans by inflation process

Issues of Sensitivity to Campesino Characteristics

Some traits, processes and issues observed among the campesinos surveyed and reported by them are discussed below in order to enable those who implement the proposed loan program to be sensitive to critical issues.

Women Campesinas as Potential Beneficiaries

Women campesinas did figure as the direct recipients of loans in the agricultural credit activities of La Merced, Madre y Maestra, FENACRE and BAB. Women campesinas interviewed who were not the direct recipients, that is, were neither named on the loan agreement nor immediately liable for repayment or guarantees, demonstrated remarkably precise understandings of the details of their husbands' various credit transactions.

A theme illustrated by the case history of Doña Ana, a campesina member and loan recipient of the San Luis Cooperative organized by Madre y Maestra and a BAB borrower, is the use of credit among women. Among all the institutions surveyed, female credit users constitute a very small proportion in relation to male borrowers. It is noteworthy that BAB credit recipients are rarely women, while a greater percentage of women receiving credit were encountered among the non-banking institutions' clients surveyed. One reason may be the smaller size loans and lesser risks perceived by the credit institutions. However, another likely factor is that these institutions may have a special appeal to women as savings and loan operations, given the traditional role for women in family economic management.

Agricultural incomes as opposed to urban employment are concentrated in a peak annual period after harvest. In most campesino households, economic cash transactions are enacted

by women. Women have traditionally learned to budget carefully and to preserve the scarce annual inflow of cash resources to meet family needs throughout the year. Women have also learned to save reserves in case of emergencies. It is interesting to note that among the non-credit users surveyed, women expressed the strongest reluctance to enter credit transactions or incur debt relationships. Among the thirty credit recipients from San Luis cooperative, eighteen, or more than half, are however women.

One woman borrower indicated an advantage of borrowing \$b 540 for seed potato was the assurance of the savings required to make the loan transaction. She said,

"When you have children, it is impossible to save. Something always comes up. There are so many things they need. At least with this arrangement, I am sure I have savings to buy another cow to increase my milk sales and income and savings."

Studies of the role of women in management, savings and credit use and their delinquency rates need to be made. Agents of BAB interviewed contended they prefer that loan transactions be made with the male heads of household, rather than women. They expressed the belief that men are more likely to be responsible for carrying out a project. There is evidence to suggest that the role of women involves more responsibility in family economic and production processes and decisions than is assumed by banking agents. The participation of women in planning projects which require agricultural credit and in assuming direct responsibility for repayment should be considered and encouraged.

Bolivian women campesina in the transitional categories (2,3,and 4) may pursue economic concerns, interests and strategies which are different from but which work in tandem with those of the other members of their respective households to produce a viable household income from diversified sources.

The work of campesinas of the "traditional" polar category as profiled in Chart II-1 is more likely than that of women campesinas in the transitional categories to complement, support or provide a critical operation for the same strategy pursued by members of their households.

However, full sensitivity to women as potential beneficiaries should not automatically assume either that wives are solely dependent upon their husbands or that wives are not pursuing economic strategies markedly distinct from those of their husbands. Credit systems based on savings and loan principles allow for and encourage more participation by women; this tendency can be encouraged in terms of women's traditional role in the family economy as the guardians of savings.

Campesinos or Wage Laborers?

In the campesino case histories from Tarija two entrepreneurial borrowers, Don Luis and Don José (See Madre y Maestra), were profiled. Their situation represents that of the analytical campesino categories 3 or 4. In the community of Sella in the San Lorenzo area of Tarija surveyed in the course of studying Madre y Maestra's radius of rural activities, another situation combining agricultural and wage labor activities was discovered. •

Campesinos in the San Lorenzo area of Tarija have plots which averaged less than one to three hectares. The maximum holding reported was six hectares. A small proportion have current access to irrigated land which permits two annual crops. Most have not had an experience with formal credit.

Despite the limited sample interviewed, it was observed and reported by local respondents that the majority of the campesinos in the area could no longer depend exclusively upon agriculture to meet family consumption needs. Because of their small holdings these campesinos are engaged in off farm, non-agricultural wage labor for their primary source of income. Proximity to the city of Tarija facilitated this recourse to wage labor, although area campesinos reportedly also migrate seasonally to Bermejo and to Argentina. Agricultural production emphasizes the traditional crops: potatoes, maize and wheat. This production complements minimal wages by providing for the basic food consumption needs of the family.

This phenomenon was also noted in San Luis, and has been reported from other areas of Bolivian.

It is important to note that while such campesinos retain

the goal of being full time farmers, their farms are so marginal that they are forced into wage labor. The process of change outlined in Chart II-1 represents a continuum. The Transitional/ and Subsistence Category (2) situation in which subsistence agriculture is combined with low status, low paid wage labor represents a marginal catch-all. Traditional campesinos may move into this category; more ambitious categories of Transitional Campesinos (Categories 3 and 4) may fall back into this situation if they suffer reversals.

It was difficult to determine how such innovations as the CARE irrigation project in Tarija might affect those campesinos in the subsistence agriculture/wage laborer situation. On one level, the situation represents a phenomenon of stability which has been reported near other Bolivian urban centers.

Individuals may remain reliant on cash income from wage sources and agriculture to provide for family food consumption needs. Individuals may be able to increase their production to permit a market-oriented strategy.

Individuals in this situation (Category 2) expressed interest in receiving agricultural credits to expand production and to increase cash income from agriculture. Yet most formal credit sources would probably exclude such farmers, given that they do not derive their income primarily from agriculture. Madre y Maestra does not seem to have such an exclusionary rule and would be likely to provide loan opportunity to such individuals if Madre y Maestra had more funds available for lending.

Further study of this category of part time wage earner/part subsistence farmer in Bolivia will be required to understand

their role and to make appropriate policy decisions regarding their eligibility for credit.

The Role of Subsistence Agriculture and Consumption Credits

Throughout the continuum of traditional and transitional campesino categories, campesino families rely on family labor as the most important labor input component and rely upon subsistence agriculture to subsidize their marginal economic situation. Critically, the move out of this category of campesino to agricultor (commercial farmer) is marked by an end to these reliances.

An expanded credit program should include as valid credits to cover family consumption oriented, subsistence agricultural production. This form of production is maintaining the labor force on the family farm. While most programs surveyed either recognized or tolerated credits or portions of loans to meet family consumption needs, policy makers may overlook the importance of this. Provision of subsistence or consumption credits is particularly significant to support the transition from traditional subsistence strategy to a viable commercial strategy and eventual commercial crop production.

The Scale of Operations

While the cooperative institutions surveyed appear to be reaching increasing numbers of the target population, they do not register explicit exclusionary policies regarding the delivery of agricultural credit to those commercial farmers (agricultors) whose scale of operation exceeds the limits of "small farmer"

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presumably operating under constraint to adhere to limits set by the existing PCPA program. A potential problem exists with institutions such as La Merced and Madre y Maestra. While they appeal to campesinos with limited resources, these cooperatives depend on the premise that larger farm operations and agricultors have alternative sources of credits available from conventional banking sources. However, since their internal eligibility requirements for agricultural loans require membership and savings deposits, this type of eligibility requirement does not discriminate according to income, scale of production or other resources. There is no formal, existing mechanism to ensure that scarce credits will be allocated only to those who meet the criteria of the USAID PID.

Eligibility Requirements

USAID's presently stated parameters of eligibility to identify a target population might also be modified in order to respond to the emerging numbers of campesinos for whom agricultural pursuits have been supplemented by other occupations, especially low paid wage labor and craft production. As phrased in the PID, a beneficiary of the program must have agriculture as a primary source of income.

In the light of trends described above, many individuals who can be culturally and socially identified as campesinos rely on nonagricultural occupations or activities. Under the current requirements, the most marginal categories of Bolivian Transitional Campesinos may be excluded from benefits.

The Pitfalls of Dual Credit

Dual credit or the simultaneous use of credits from more than one source may be more widespread than has been assumed. In two cases individuals interviewed had successfully managed simultaneous loan repayment obligations with diversified production. One potential danger exists in an expanded credit market: an increasing number of campesinos may use multiple sources of credits, risk overextension and ultimately endebt themselves.

In such potential cases, it is assumed that the borrower will not report dual use of credit to the lending institution and will not receive guidance concerning the risks of overextension. Education campaigns and evaluations of each application could minimize this danger. Also, credit institutions need to take responsibility for assessing the potential consequences of such overextension. The alternative lending institutions may have an advantage over conventional banks with regard to this problem. Relationships observed between campesinos and banking agents during the course of this study tend to be straight forward and to involve a formal interaction oriented solely to topics concerning the loan and its use.

Alternative institutions' credit delivery systems may be based on a model of a local organization (FENACRE, MADRE Y MAESTRA) or local agent who serves as a cultural broker between the campesino clients and the institution. This organizational structure is more likely to learn of and to control for the use of multiple credits through continuous social ties.

WIDER IMPLICATIONS

Indirect Influence on the Internal Market

There exists the potential that credit institutions may indirectly influence Bolivia's internal market by promoting the production of certain crops through credits and creating disincentives for the production of other crops by denying credit to farmers producing certain crops. A discussion of this problem was included in the section concerning FENACRE. The aggregate effect of FENACRE's policy of excluding crops such as wheat and rice if adopted by other credit institutions may have the long term effect of creating scarcities and influencing price. Campesinos in need of credit respond to the implicit incentives of lending institutions and may make choices of cropping patterns in terms of the availability of credit. In the aggregate, this may result in the overproduction of those crops for which credit is available with the consequent flooding of the market, reduction in their price and lowering of the profit margin to the farmers producing those crops.

Isolation of Agricultural Credit Program from Integrated Development

A program of agricultural credit for small farmers cannot in isolation respond to the pressing needs of Bolivian campesinos. The success of such a program will be related to the degree to which it is carried out in the context of an integrated development program.

Technical Assistance

One issue which arose among different consultants to the preparation of the project paper for the proposed loan program

concerned technical assistance. Consultants reported different opinions concerning a potential role for technical assistance. Technical assistance is important in an integrated development process.

The issue was raised in particular in the feasibility study of La Merced. The opinion of this observer, based on views expressed by campesino credit users of La Merced's rural credit program, differs from that of Magill^{*1} and leans toward that of Flick^{*2}.

It was Magill's contention that campesinos "do not need extensive technical assistance." The campesinos I interviewed invariably expressed a desire for technical assistance. Access to the services of agronomists emerged as a priority of campesino borrowers in both Mairana and Puesto Fernandez-Chané. Magill's fiscal argument that technical services may incur "heavy overhead and administrative costs (which) can be added later when credit volumes are sufficient" is well taken. However some compromise measures in the short term should be undertaken to meet the demand for technical assistance concurrent with credit delivery.

The case of La Merced emphasizes the danger to the institution and to the campesinos who become dependent upon a supply of credit of high delinquency rates. Technical expertise is needed to identify and to analyze the causal patterns of the delinquency rate and to propose individual solutions.

*1 Magill, John. Preliminary Report. La Merced. August 1979.
AID Mission, La Paz, Bolivia

*2 Flick, Robert. Cooperativa Multiactiva "La Merced" Limitada.
International Agricultural Cooperative Development Report
to the USAID/Bolivia mission. February 1979.

Magill made the suggestion that "different specialized institution" can meet the needs for technical services. However, most campesinos interviewed reported that existing Bolivian institutions providing extension services are not reaching the great numbers of campesinos who desire such services. Only a few campesinos have ever had technical assistance in Mairana. Several campesinos reported an awareness of an extensionist in the area but stated they only see him once a year when he appears to sell fertilizers. Fertilizer sales is a common side-line of extensionists in other areas of Bolivia. As a consequence, campesinos complain such individuals are interested only in promoting their business interests which diminishes campesinos' confidence in extensionists' professional expertise.

The proposal that La Merced or other lending institutions rely on other institutions to provide technical advice to its rural credit clientele is problematic in the current Bolivian reality. One finding which emerged from extensive interviews and participant observation in Chuquisaca and Santa Cruz from 1976-1978 during a prior study was the lack of coordination among Bolivian rural promotional institutions.

Appropriate Technology

Another issue which can be identified as a component of integrated rural development closely related to the goal of the proposed agricultural credit program is appropriate technology. The intended uses of agricultural credit should be examined for the appropriateness of any new technology to be financed. The knowledge of a particular campesino regarding the proposed innovation should be examined.

METHODOLOGY

CHART A-1

UNIVERSE OF CAMPESINO RESPONDENTS

Characteristics:

1. All were household heads or the spouse of a head of household except one respondent who was the dependent mother of a female head of household.
2. The following chart summarizes the respondents' characteristics by location of primary residence and by sex:

Place of Residence	Total Number Interviewed	Number of Women Interviewed
Community of San Luis, Tarija	12	3
Mairana zone/Pampa Grande, Santa Cruz (recipients of La Merced loans)	15	1
Puesta Fernandez, Santa Cruz	7	1
Community of Sella, Tarija (not recipients of Madre y Maestra loans)	5	3
La Concepcion, Tarija recipients of Madre y Maestra loans	6	0
non-recipients	+	
Valley microregion of Rio Chico cluster of communities, Chuquisaca (BAB loan recipients)	7	0
Gliza Province, Cochabamba, members of Cooperative Nuevo Horizante recipients of FENACRE loans	5	5
informal interviews, not current recipients	6	1
Sacaba area, Cochabamba	6	1
TOTALS:	69	15 *

* Not all of the women interviewed were the formal recipients of loans. Women in many cases were speaking for their husbands. Only in San Luis were there more women than men among the recipients of loans through Madre y Maestra: 18 out of 31 or 58%.

In the Santa Cruz area of the La Merced radius of action, the access structure of the sample created a random bias to the

respondents. It was the impression of the agronomist who heads the campesino section of La Merced that the cooperative had a significant minority of women members. Women members who have received loans could not be determined from existing lists due to systematic clerical errors in these records feminizing cognate male given names. (for example, Juan transcribed as Juana).

Campesino Interview Conditions:

Interviews were often conducted with spontaneously assembled groups of campesinos. This enhanced the completeness of the inquiry and also the accuracy of detail as several respondents discussed various points together. The expressions of opinions and needs cited in this report often reflect the consensus opinions of group discussions among campesinos rather than individual opinions.

Interviews with Institutional Representatives:

More formal background information interviews were conducted among representatives and employees of the four institutions surveyed. The universe of institutional representatives is given in Chart A-2. In the course of work at the headquarters of these institutions or in the field, interactions between agents and campesinos were observed.

Methods Supplementing Interviews and Observation:

Documentary evidence available as statistics provided by the institutions which were surveyed were consulted and analyzed. Several of the institutions also provided written material on their policies, history, development and activities. These included circulars, material published in periodicals and information sheets geared to their membership.

Instrumental problems

General transportation difficulties impeded the effort to reach and interview a larger sample of campesinos in the four regions surveyed. Interregional transportation by air was impeded by flight delays, prior bookings and the general unreliability of the national airline service. Intraregional transportation was similarly handicapped by availability of scheduled local public transportation (trucks, micros, etc.). This situation created a dependency upon the local institutions being studied to provide transportation to areas where rural campesino loan recipients resided.

The study was conducted during a period of political uncertainty, pending the designation of a new president. One expression of the political situation took the form of "paros" or work stoppages when all activities were paralyzed. Similarly, work progress was periodically disrupted by such congregational events as important annual festivals and road races.

METHODOLOGY

CHART A-2

UNIVERSE OF INSTITUTIONAL REPRESENTATIVES

La Merced	<ul style="list-style-type: none">-President and General Manager (Director)-Head of the Campesino Section-Local Agents-Secretarial and other support personnel
Madre y Maestra	<ul style="list-style-type: none">-Director-Volunteer Agronomist-Social Worker-Promoter of a Madre y Maestra affiliate club-Staff Physician, Health Section-Support workers, officers of the affiliated cooperative San Luis
Banco Agricola Boliviana (BAB)	<ul style="list-style-type: none">-Chuquisaca Departmental BAB Branch Director-Field Agents/Agronomists-Tarija Departmental BAB branch officeHead of Small Farmers' Credit Program-National Director of BAB's Small Farmer Credit Program (Cochabamba)-Statistician/BAB Cochabamba branch-Individual BAB field agents
FENACRE	<ul style="list-style-type: none">-National General Manager of Federation-Agronomist and Head of PCOA, the FENACRE Small Farmer Credit Program-Administrators of an affiliated cooperativecouncil members of an affiliated cooperative