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DEVELOPMENT PROGRAM FOR FARMER
ORGANIZATIONS IN THE CHAPARE
REGION OF BOLIVIA

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I. Background and Description of Area

There is a variety of local farmer organizations that have been formed in the Chapare during the last 20 years, which can be separated into two categories. The first is the syndicate network of colonizers, including virtually all of the area's farmers. The approximately 200 syndicates of this nature (completely separate from other types of syndicates, such as those of truckers) are grouped into 23 "Centrals" and then into two federations. One of the federations consists of farmers in the government established and directed colonization lands near Chimoré. This represents only a small percentage of the area's farmers, perhaps five to ten percent. The other federation based in Villa Tunari consists of the farmers who have participated in the spontaneous colonization which began decades earlier. The major responsibility of these federations is to represent the farmers' interests at the state and national political levels.

The second type of organization is more social and economic in nature, consisting of women's clubs, associations, and cooperatives, all at the local level. About 23 women's clubs and 21 associations and cooperatives have been identified, but only 12 of the latter group exist in any meaningful way. Most of the women's clubs seem to have regular activities that are educational and may possibly have some economic impact on the family, such as raising chickens, making clothes, running small stores stocked with consumer articles. These clubs have been organized by the Catholic Church and receive donations of food from CARITAS; which serves as an inducement for participation.

On the other hand, few cooperatives actually are functioning at this

date, and those that do are stagnated, trying to maintain the current level of service to their membership. Unfortunately, there have been several cases of cooperatives which have failed, primarily because of management problems. This lack of any clear success by a cooperative group represents a constraint as to the farmers' perception of what this type of organization can do in the area. Yet surprisingly enough, those farmers interviewed felt that the only way for them to better their condition is through this type of organization. While not expressing total confidence, they showed definite receptivity to, rather than pessimism in, a farmer organization and its capacity to deal with their felt needs.

Table 1 lists the farmer-level organizations identified in the Chapare, although omitting women's clubs as such, the services offered to members, and the actual status of the organization (functioning, not functioning, disbanded, or unknown). Of the 21 listed, 12 are functioning to some degree, 3 are not functioning but were still referred to as identifiable groups, 3 have been disbanded, and 3 were doubtful as to their status. Caution should be exercised in interpreting the meaning of a group actually functioning, since all can be characterized as suffering from a lack of operational capital, limited managerial and bookkeeping capacity (with the exception of Equipo Chapare), and a reduced membership given the potential (approximately an average of 100 members per group, although active membership would be lower). The services common to most of these groups are the sale of consumer items and the availability of loans to members.

The following section of this report will examine the services that farmer-level organizations could offer to members and detail some of the constraints involved. However, there are a number of factors external to any such

organization which could limit the effectiveness of group activities.

Briefly mentioned, these would include the following:

- severe deficiencies in local infrastructure for transportation
- lack of public health services, contributing to poor general health
- low level of literacy and deficient educational facilities
- heavy precipitation during much of the year, which limits transportation and agricultural activities
- virtually nonexistent local market demand for agricultural products and a limited national demand shared with other areas having similar production
- diversity of marginally economic agricultural activities within region
- lack of trained administrative personnel within region coupled with general unattractiveness of living conditions within region (no electricity, potable water, etc.)
- lack of active institution in region which has public support and is perceived by residents as pursuing development objectives.

TABLE 1

SMALL FARMER ORGANIZATION IN THE CHAPARE

MICRO REGION	ORGANIZATION NAME	LOCATION	SERVICES	STATUS
II	Coop. Agropecuaria San Francisco Arco Iris	14 de Septiembre		NF
	Coop. Agropecuaria Gual Villarroel	14 de Septiembre	communal lands marketing	NF
V	Coop. Agropecuaria Nueva Esperanza	Todos Santos		D
VI	Coop. Ahorro-Crédito La Victoria	La Victoria and Shinahota	savings-loans, cement sales	F
VII	Equipo Chapare	Lauca Eñe and Chimoré	land clearing, machinery, marketing	F
	Coop. Ahorro-Crédito El Samaritano	Nueva Canaan and Chimoré	savings-loans, inputs sales	F
	Coop. Agropecuaria Nueva Canaan	Nueva Canaan	rice thresher, marketing	F
	Coop. Ahorro-Crédito El Piñal	Mariposas	savings-loans	F
	Asociación de Ganaderos	Chimoré	cattle breeding (Proyecto Heifer)	F
	Tienda de Consumo (Club de Madres)	Senda B	consumer items	F
	Coop. de Colonización	Chimoré	-	D
	Coop. de Colonización	Nueva Canaan	-	D
	Centro San Carlos	San Carlos	consumer items and credit	F
VIII	Coop. Consumo Juana Azurduy de Padilla	Ivirgazama	consumer items	F.
	Coop. Ahorro-Crédito	Ivirgazama		NF

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TABLE 1 .Continued

MICRO REGION	ORGANIZATION NAME	LOCATION	SERVICES	STATUS
	Coop. de Electrificación	Valle Ivirza	-	U
	Asociación de Ganaderos	Valle Ivirza	-	U
	Centro Simón Bolívar	Simón Bolívar	consumer items and credit	F
	Centro René Barrientos	El Voltadero	consumer items and credit	F
	Centro San Miguel	San Lucas	consumer items, credit, and rice huller	F
IX	Asociación de Pescadores	Puerto Villarroel		U

Note: - Some of the services indicated presently may not be actually offered or only to a limited degree.

- Initials used to indicate status:

F: functioning

NF: not functioning

D: disbanded

U: unknown

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II. Issues: Small Farmer Organization Services

Ideally a small farmer organization should meet the needs of both farm enterprises and the rural population, if it has an adequate resource base and if the members have a common set of perceived needs with similar values placed on these needs. As this is not the case in the Chapare, given the diversity of agricultural activities and other factors, a number of different services is examined to allow later ordering of these services according to general feasibility for an organization in a less than ideal situation.

The following list of services was compiled from suggestions by people interviewed in the field, although a number of others were omitted as not related to the operation of a farmer organization (such as rural electrification). Section III will present recommendations which form the rationale for choosing among these services.

A. SERVICES DIRECTLY RELATED TO AGRICULTURE

1. Marketing

Undoubtedly this was the service most frequently mentioned by farmers and is the most complex. According to the crop in mind, the marketing process is influenced by regional and national supply and demand, the condition of primary and secondary roads, the availability of transport, and other factors as well, all of them interrelated.

To realize any net gain from a change in the marketing process, it is necessary to increase efficiency. This might be done by a farmer organization eliminating unnecessary steps in transportation, which also would lower the physical losses from extra handling of produce. Another alternative would be for the farmer to take on the additional function of sales to the consumer. A third would be to export from the regional market (Cochabamba) to secondary markets (such as Oruro, Sucre, Potosí). The last alternative would be to transform the basic product into another form (food processing), representing

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another type of market.

Concerning the farm to market process, it is doubtful that much improvement is feasible. According to one study, over 60 percent of the agricultural products are sold at the farmgate, and between 20 and 30 percent are sold at the major regional market (Cochabamba). Only 10 to 15 percent pass through another step in going from farm to market ("Estudio de Necesidades Sentidas" p. 45). In most cases the trucker is the only link to the retail seller, minimizing physical loss from extra loading/unloading and delays. The farmer could gain in this case only if he could ship at a lower cost than the net margin received by the trucker (after allowing for all his costs).

Marketing margin information collected from farmers, truckers, and retail saleswomen was too inconsistent to be utilized. However, one example as reported by Chimoré farmers and market saleswomen can serve as an approximation. As of mid-January, those farmers received at farmgate \$b. 700 per wholesale unit of bananas (chipa of 720 bananas). If in Cochabamba 80 percent was sold to the consumer at the top price of \$b. 2 per banana and the remaining at \$b. 1 (with no loss), the retail sales yield was \$b. 1.296 per chipa. About \$b. 0.80 per banana covered all transport and retailing costs. This does not seem to be excessive, but rather points to an efficient system.

This example would indicate also that the farmer would not be gaining much by assuming the role of retail seller in the regional market, especially when the living costs in Cochabamba are considered. It certainly is not clear that a farmer organization, by grouping members' fresh produce, could compete successfully with the trucker and retail seller while paying legal wages, administrative and operating capital costs, etc.

The third alternative of wholesale marketing of produce in other markets

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could be more attractive. A 1979 study stated that the end sales price of bananas in Oruro, Sucre, and Tarija was about 90 percent greater than the Cochabamba price ("Estudio Socio-Económico del Chapare", DESEC). A cooperative effort would have to investigate the additional transport and administrative costs and have access to market price information to judge the feasibility of this activity. This is even more critical if markets outside of Bolivia are considered.

The last alternative --food processing-- is even more complex and would have to compete directly with existing Bolivian processors, most of whom are located in Cochabamba. However, contract sales to these companies may be one way to ensure a stable demand (quantity demanded) for part of the area's produce. Usually contract prices are lower than peak market prices, and probably the processors would be unable to absorb all the production of any crop, thereby making this alternative less appealing. Still, there may be small regional markets for some items that the major processors will not supply and whose processing could be done at an intermediate technological level.

A brief description follows of market potential for a number of crops produced in the Chapare. ("Proyecto Desarrollo Agrícola Chimoré-Chapare-Diagnóstico", IICA). Prospects for livestock products are discussed in another report submitted to USAID/B by the present team.

Oranges

Regional market is saturated, and probably there is a slight overproduction, but possibilities exist in other areas (Sucre, Oruro). Estimated income elasticity is 1.26 percent. Regional price level is lower than in La Paz or Santa Cruz. Possible export demand to Chile and northern Argentina

exists during some months.

Bananas

The Chapare is the major supplier (50 percent of national production), and therefore is presently reaching northern Chuquisaca, Potosí, and Oruro. Supply and demand probably is in near equilibrium, depending on assumptions concerning production loss at harvest and during marketing. Estimated income elasticity is 0.55 percent. Regional price levels are lower than in La Paz or Santa Cruz. Possible export demand exists from November through January to Argentina.

Pineapple

Regional market consumes total production, perhaps not satisfying demand and resulting in underproduction. Demand in other national markets is undetermined. Estimated income elasticity is 0.70 percent. There are possibilities of competing with Brazil and Perú production in fresh fruit markets in Argentina and Chile. Possible export demand exists in industrialized form to Argentina and Uruguay.

Rice

Both regional and national markets are in deficit (approximately 20 percent). Potential markets consist of regional, northern Potosí, northern Chuquisaca, and part of Oruro. Estimated income elasticity is 0.27 percent. Regional price level is higher than in La Paz or Santa Cruz.

Papaya

Regional market consumes total production, and apparently there exists an unsatisfied demand at the national level. Because this product is subject to rapid decomposition (3-4 days in summer and 5-8 days in winter),

export potential from Chapare to other national markets severely constrained unless better packing and cooling capabilities are developed.

Forages

Regional market (primarily for alfalfa) is seemingly satisfied, but there exists a large excess demand at the national level. Kudzu forages grown in the Chapare might partially replace alfalfa, but would be dependent on increase in the regional market for milk products.

Cacao

Bolivia both exports dried beans and processes some for internal consumption. Also a sizable quantity is imported in an industrialized form, indicating that there is an apparent excess of demand. Similarly there exists a substantial export potential with neighboring countries: Argentina, Chile, Perú, and Uruguay together import six to seven times more than the total Bolivian national production. Excess processing capacity already exists for chocolate products in Oruro and La Paz. The initial processing (fermentation and drying) could be done at the local level utilizing intermediate technology.

Tea

(Not covered in cited report) Bolivia imports most of tea consumed, however local teas when properly processed are of international market quality. Tea processing facilities are in Chimoré area and will be managed by the Cochabamba Regional Development Corporation for an indefinite period.

Rubber

Bolivia exports raw material and imports processed goods. The internal market is estimated to be able to absorb about double present production

levels.

Hearth of Palm

There seems to exist export marketing potential for the processed product in Argentina, Chile, and Venezuela, as well as other world markets. Regional food processors have exported in the past but lack supply.

2. Produce Collection Centers

This would be a variant of the marketing function, either to concentrate production to facilitate shipping or to gain some market power over truckers to improve bargaining position. As most truckers are Chapare residents and seemingly cover all areas with transitable roads, the likelihood of gaining marketing power by producers is not great. Furthermore, transport to collection centers (presumably done by a farmer organization) would increase handling costs and produce spoilage.

3. Produce Transport to Market

This also is a variant of marketing, since the trucker sells to the regional wholesaler/retailer. As previously noted, the limited evidence available does not indicate enough inefficiency for a farmer organization risk competing with truckers who often do not pay minimum wages, have explicit administrative costs, or take depreciation into account. Several previous studies concerning transport of fresh produce in Bolivia have indicated that transportation as a cooperative service usually is justified only when coupled with other services (such as processing) and when the produce is of relatively high value ("Fruit and Coffee Development Projects" and "Estudios de Factibilidad para Dos Cooperativas Integrales: Río Abajo y Yamparaez").

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4. Industrialization of products

The basic rationale of this activity would be to utilize agricultural products that otherwise would not be marketed or only at a very low price, and to transform basic products into intermediate or final goods whose value is higher.

In general, caution must be exercised when appraising prospects of this nature, since they tend to be expensive and require a high level of technical and managerial capacity. Furthermore, Bolivia has neighbors that presently enjoy a comparative advantage in the production and processing of similar goods. Because of Bolivia's relatively small domestic market, many types of food processing would require some degree of export potential to be feasible. The experience of national food processors has shown this to be difficult.

Nevertheless, there seems to be a number of possible projects which would utilize production from the Chapare and could be accomplished using an intermediate level of technology. One publication "Primer Encuentro de Expertos Nacionales.... Volumen II" presents pre-feasibility studies for several of those listed below. A major prerequisite for almost any type of industrialization is an inexpensive energy source, and this is lacking in all of the Chapare. It should be noted that other possibilities undoubtedly exist, as well as supplying existing processing facilities. A public sector office charged with continually investigating new markets and products and disseminating this information could yield substantial benefits to the regional economy. It would have to concentrate, however, on the utilization of existing productive capacity (for agricultural production and processing) and small to medium-scale plants using intermediate technology. The domestic market should be of first priority whenever possible.

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- Primary processing of cacao beans, if and when the cacao production warrants this
- Slaughterhouse for animals coming from the Beni region (probably located near Puerto Villarroel)
- Ice making plant to allow more efficient marketing of fish catch (probably located near Puerto Villarroel)
- Dehydration plant for area crops used for animal feed (if livestock raising and fattening is feasible and when adequate energy source is available)
- Factory for making wooden packing crates
- Plant for limited processing of citrus production to supply regional market (if locally made machinery is functional and if there is market acceptance - see "Fruit and Coffee Development Projects...")

5. Provision of Inputs

Compared with other agricultural areas in Bolivia, the utilization of inputs (fertilizers, pesticides, hybrid seeds, implements) is low. Still, some are being used, and if the cultivation of traditional and other crops were to become more profitable, use of inputs would increase. Presently a limited variety of inputs are available locally from a few stores (including the Cooperative "El Samaritano") and from itinerant retail sellers from Cochabamba who visit towns on market days. Problems in input supply perceived by farmers are either that the prices are much higher than in Cochabamba or the products have been adulterated (with a price similar to that in Cochabamba). Another real and dangerous situation is the misuse of pesticides, exposing user and family to these chemicals. Users have received little or no practical technical assistance in the use and care of these inputs.

A short survey was done on input costs in various markets in the Chapare

and compared with the same products in Cochabamba. The Table below shows the percentage of retail markup in two local markets, based on Cochabamba retail prices.

TABLE 2
RETAIL MARKUPS OVER COCHABAMBA PRICES FOR SELECTED INPUTS
(Mid-January)

<u>Item</u>	<u>In villa Tunari</u>	<u>In Chimoré</u>
Gramoxone, liter	+ 23%	+ 15%
u 45, liter	+ 65	+ 32
Sprayer, 20 liter, plastic	+ 19	+ 13
Rice Seed Planter	+ 47	+ 37

The volumes sold of these inputs are unknown, so the margins may be justifiable. However, the farmer perceives these prices as being much too high (probably more so than they really are).

Another point is that there is a felt need for light machinery and implements as recorded in the survey "Estudio de Necesidades Sentidas" (p. 67):

Chain saw	approximately 80%
Sprayer	" 75
Rice thresher	" 25
Rice planter	" 20

A farmer organization could serve these needs either on a sale basis or by renting the machinery and operator to members. This activity plus the sale of inputs would be seen by farmers as a significant help, although there might be difficulties in making this financially feasible given the low level of input use.

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6. Agricultural Mechanization

This also is a felt need similar to that expressed above (61 percent said they needed the use of a tractor for the heavier tasks). However, limited experience in land clearing and other mechanization by the Equipo Chapare center near Chimoré indicates this service is of high cost and low benefit to the farmer. Land clearing costs approximately US\$500 per hectare ("Informe de Progreso" p. 106). No crop except coca is profitable enough to justify this investment. Therefore this service would not be feasible for a farmer organization to offer its membership.

7. Agricultural Extension

The previously cited survey indicates that only 6 percent of the farmers in the Chapare acknowledged receiving technical assistance in the form of extension (p. 68). However, 93 percent expressed a need for this, which could be the result of a specious question. Still there is an obvious need for extension (especially with non-traditional crops) and guidance, as in the case of safe handling of pesticides.

A farmer organization probably would not be financially able to provide an extension service as such, but would have other more modest alternatives:

- as part of its educational function, draw members together for formal extension training presented by public sector agents
- provide technical assistance to purchasers of inputs sold by the organization, at the time of sale
- provide limited supervision of activities partially financed by credit from the organization (presently done to some degree by the Cooperative "La Merced" in Santa Cruz).

8. Communal Production

This probably is a need felt by few farmers, since cultural practices

and limitations prevent most from cultivating more than 25 to 30 percent of their lands. In a few cases, however, this might become technically feasible for highly labor-intensive crops with relatively high value (cultivation of tea), or where a group organizes a common activity using hired labor (feedlot for livestock). The social acceptance (besides technical and financial feasibility) by farmers in the Chapare of communal activities would have to be determined carefully before such were begun.

B. SERVICES INDIRECTLY RELATED TO AGRICULTURE

1. Credit

The provision of loans is considered by many farmers as one of their most urgent needs. Although the primary focus would be financing agricultural activities, it is included in this section on non-agricultural services since loans might be granted for other purposes, and because of its close relationship with savings.

The Chapare presently has a private bank, a government lending agency for agriculture whose future is uncertain (although a separate program for small farmer loans --PCPA-- is prepared to begin operations there), and several credit cooperatives. Some argue that the Chapare does not need more loan capital, given the liquidity generated by the coca trade. However, a major portion of these funds are leaving the area and not available for local lending. In the survey on felt needs, credit was considered a necessity by over 90 percent of those interviewed, whereas only six percent had borrowed from credit institutions (p.70).

As mentioned before, it is not clear which farming activities are sufficiently profitable to warrant investment by farmers, although when the coca trade diminishes, demand will definitely increase for both short-term production loans and medium-term investment capital. Given the unfamiliarity most farmers have with credit, it will be imperative that such programs be adequately supervised to ensure the proper utilization of funds. Implementing institutions should take care, however, that this supervision does not add too much to their operational cost nor to the borrower's transaction costs. A model could be the Cooperative "La Merced" in Santa Cruz, whose program for small farmer loans is efficiently

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administered and has a delinquency rate of around six percent. Part of its success can be attributed to the limited technical assistance (and thereby supervision) provided through the loan officer.

If the government-sponsored PCPA program is established in the Chapare (probably in Chimoré), there will be two distinct types of credit institutions in the area. According to conversations with PCPA staff, this program has been specializing in credit from 18 months to 5 years (and possibly up to 10). This requires an institutional liquidity and risk-assuming capacity which the private sector including cooperatives does not have. Therefore the PCPA will have an important role in the development of the Chapare.

On the other hand, the private sector institutions have the flexibility to specialize in short-term loans for agricultural and other purposes. At this time, only the private bank in Villa Tunari has the administrative and financial capacity required to maintain a profitable loan portfolio. Despite this capability, approximately sixty percent of local savings held with this bank are diverted to its head office in Cochabamba. This would indicate the need for developing a lending institution to serve other parts of the Chapare, but based on sound management practices not seen in the local credit cooperatives. This institution would have to be perceived by borrowers as both serious and stable. To achieve this stability, it would have to operate as a profit making entity and charge at least near-market interest rates on loans. A farmer organization could do this if its associative base were broad enough and properly managed, as are a number of cooperatives in Bolivia.

2. Savings

Experience in many places throughout the developing world, including Santa Cruz in Bolivia, has shown that the rural family saves money.

A secure institution within a reasonable distance attracts savings, and often the amount of interest paid is not the critical factor, but rather the image of stability and responsibility. Of course interest rates do have an impact when alternative savings institutions exist, but often accessibility is more important.

Presently the private bank in Villa Tunari is the sole public savings institution in the Chapare with about \$b. 28 million, while having a loan portfolio of only \$b. 12 million. A number of farmers living near Chimoré indicated that they normally accumulated \$b. 5,000 or more before going to Villa Tunari to deposit it in the bank, in an effort to minimize their transaction costs. Another farmer near Villa Tunari estimated that 30 percent of the families in his area had savings accounts. Frequently, families take savings to private banks and credit unions in Cochabamba as well.

As a contrast, the three local credit cooperatives have only \$b750,000 in member savings and are stagnant, no doubt partially because no interest is paid on savings in order to keep low the interest charges on loans. In this case savings is perceived only as a prerequisite for receiving a loan and the saver subsidizes the borrower.

These two situations indicate the following:

People are saving in institutions that pay interest, even if they are distant, and the motive is not the possibility of qualifying for a loan; When an institution does not pay interest, people save only to be able to receive a future loan; and

If a local farmer organization were within easy access, paid a market rate of interest, and were perceived as a stable and serious institution, there would be substantial support within its area of influence.

TABLE 3

RETAIL MARKUPS OVER COOPERATIVE PRICES

ON SELECTED CONSUMER GOODS

(Base price from Cooperative "La Merced" unless otherwise indicated; mid-January)

<u>I T E M</u>	<u>MARKUP PERCENTAGE</u>	
	<u>Local Market*</u>	<u>Cochabamba</u>
Cooking Oil, liter	+ 23%	- 1%
Powdered Milk, 2 kilograms	+ 41	+13
Sugar, kilogram	+ 21	+ 6
Noodles, 5 pound bag	+ 25**	-
Potato, 2nd. grade, 25 lb.	+ 50**	-
Powdered Soap, large bag	+ 50	+50
Laundry Soap, bar	+ 60	+20
Coffee, 250 grams	+ 46	+15
Cooking Gas, 10 lb. tank	+200**	-
Ferronicum, 200 ml.	+ 68	+59
Neo-Ascamorin, 50 tabl.	+ 11	+11
Enterolit, 100 ml.	+ 10	+10
Dioxadol, 20 ml.	+ 41	+41
Di Neumobron, 50 ml.	+ 11	+11

* Based on lowest price found during survey in markets of Villa Tunari, Chimoré, Paractito, 14 de Septiembre.

** Not offered in Cooperative "La Merced" so Cochabamba market store used as base.

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3. Sale of Consumer Goods

This activity is the most common among local farmer organizations in the area. Farmers interviewed expressed that local store prices (non-cooperative) were at least double the prices in Cochabamba. As indicated in table 3, this is an exaggeration, but they do pay more than in Cochabamba and even more than they would in a large, efficient cooperative store (such as "La Merced" in Santa Cruz). It is not known what these selected items represent to an average rural family budget, but the frequency of this type of activity indicates a definite felt need and a tangible benefit received. The median markup over cooperative prices was 13 percent in Cochabamba and 33 percent in local markets (based on table 3 items).

The comparison with the Cooperative "La Merced" is not meant to reflect the benefits members actually receive through consumer cooperatives in the Chapare, rather to indicate a magnitude of potential savings if a cooperative marketing operation were large enough and well-managed. Since the Chapare population is not concentrated, substantial volume could be achieved only by utilizing existing and new cooperatively run outlets to market items purchased in bulk.

4. Administrative Support

This service refers to two separate activities, both focussed on fortifying the local farmer organizations' managerial and bookkeeping capacities. At the present, the administrative level in every organization is very low, often to the point of being inoperative and is usually voluntary. Furthermore the organizations' capacity to pay adequate salaries is limited.

Supports in this area could be accomplished either by supplementing local personnel with capable administrators (largely from outside the Chapare), or by training local residents who were willing and able to learn. Given the

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living conditions in the Chapare, the first alternative would be only a temporary aid, since rapid turnover could be expected. The second form of support is the only realistic solution and was mentioned often during interviews with Chapare residents. This training would have to be done on an informal basis to minimize the turnover of trained local personnel leaving the area for urban employment.

Since the number of local organizations is fairly large and their volume of operations is limited, one approach to providing support could be to centralize some of the managerial tasks, e.g., through area-wide bulk purchasing and distribution, while training local personnel in the relevant aspects of management. A concomitant activity would be the training of local personnel in maintaining the basic bookkeeping documents and having an accountant periodically complete the documentation and analysis at the site of participating groups.

5. Education

A major constraint to the functioning of a farmer organization is that the membership usually is unaware of its powers and responsibilities. In a similar fashion, he may not understand the sacrifices and benefits associated with a particular service. It is vital that members know the above, but rarely is this activity continued after the group is formed. Whenever possible, education of members should relate to the types of decision-making their directors are responsible for. This should help develop leadership capabilities and intensify meaningful participation.

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III. Conclusions and Recommendations

A. Conclusions

This section presents the rationale upon which the recommendations are based.

1. The success of a farmer organization depends on and is justified by the success of its individual members as farmers. It would be contradictory for an institution to be financially sound if no tangible benefits were received by members. When the situation of the farm economy is as precarious as it is in the Chapare, emphasis must be placed on strengthening the farmers' income, even if the institution must operate at a loss during some period of time. This subsidy, however, must be focused on the organization and not the members, and its activities must have a solid prospect of becoming profitable. Otherwise the institution ultimately will fail, and the benefits to members will cease.
2. There is no example of a farmer organization succeeding in the Chapare. Still, a number of these do exist and function to some degree. This represents a resource which can be utilized to organize an institution of a size and nature better able to offer services and benefit the farmer. However, this new institution should not be seen as a threat to the local cooperatives, associations, and other groups. Their membership identify with these groups and probably would be unwilling to actively support a replacement. On the other hand, if the new institution is perceived as working for the local groups and fortifying them, the Chapare farmers would be more receptive to it. The active syndicate network in the area, with its "centrals" and federations, is an example people understand although the objectives are different from a farmer organization.

3. Rather than an institution trying to cover the whole Chapare from the outset, organizational efforts should concentrate on a few areas which have more interest and experience in farmer organizations and have an appropriate agricultural base. In time this institution would expand to other parts, depending upon the interest of local groups in participating.
4. This institution should be phased in to allow necessary flexibility and responsiveness to participating farmer groups. However, it would require another cooperative institution with the recognized authority to provide the initial direction and support. Otherwise a new organization would be subject to internal division. At the present time, there is no public sector agency which is recognized as apolitical and has developed the capacity and experience to do this. The element of trust and stability is a prerequisite to begin any organizational effort.
5. Primary emphasis should be placed on providing two types of services. The first would focus on relatively simple activities whose benefits would be tangible to participating groups. These activities should be available to a broad base, fulfilling common needs, and not require a complicated administration. The second type of services would have the objective of training personnel to manage these activities at the local level. If possible, this personnel should be residents in the communities of participating groups.
6. After the initial period of firmly establishing the institution and its basic services, additional activities would be offered if their financial feasibility were proven. However, at any time a participating group would be free to develop different services according to its needs and capacity.

B. Recommendations

1. The institutional structure proposed is a second-level cooperative which legally could have a membership comprised of various types of rural organizations: consumer cooperatives, credit unions, associations, and other associative forms. It would be classified as a secondary, multiservice cooperative with regional scope (tentatively called: Central Cooperativa de Servicios Regionales). It would be located in Chimoré and would concentrate on the areas of Lauca Eñe-Mariposas and Valle Ivirza.
2. The implementing institution would be the National Federation of Savings and Loan Cooperatives (FENACRE). This broad-based federation (with 200 member cooperatives) is recognized as being apolitical and having sound management. Services it provides to members include: financing, insurance, and technical assistance in management, promotion, education and auditing. The General Manager of FENACRE has expressed agreement with this proposal and indicated that FENACRE has been studying similar plans for working in the Chapare through its members there.
3. FENACRE would be charged with the promotional activities required to organize the Central and with establishing the services to participating groups. In its capacity as a financial institution, it would serve as fiduciary and disbursing agent for the funds required for the operation of this component in the Chapare Integrated Rural Development Project (IRD), subject to approval by USAID/B. This authority would extend under the IRD Project up to the time when the Central no longer required operational subsidies and would be self-sustaining. Until the Project termination date, FENACRE would retain an advisory capacity within the Central.

4. Initially the services offered through member groups would be rural savings and the provision of consumer goods and inputs. The Central would function as dispository for savings and as purchasing agent. Furthermore, it would provide assistance in management and a bookkeeping service to maintain proper financial documents for the groups, and facilitate adequate technical training for local personnel in the above.
5. Services offered in the second phase of this Project would be expanded to include a short-term loan capacity for agricultural production and other uses complementary to the governmental small farmer credit program (PCPA). If circumstances permitted, limited marketing and industrialization projects could be implemented.
6. Because of the importance both marketing and industrialization of agricultural products will have in the development of the Chapare, the capacity for investigating market potentials and realistic projects and disseminating this information should be created independently of the farmer organization component. Probably this would be attached to a governmental agency and could serve also as a method for informing the public of other matters, such as through a part-time local radio station.

IV. Project Design

A. PHASE ONE

Objectives

Establish cooperative institution in Chimoré area to provide member groups the services of centralized purchasing of consumer goods and inputs and with the capacity to mobilize rural savings. The institution would help recruit and train local personnel in bookkeeping and administration and provide related technical assistance at local level.

At the end of this phase, the institution will have the capacity to extend these services to other areas within the Chapare without the need for assistance and supervision from FENACRE.

Actions

1. Hold promotional seminars in different areas to inform and foment interest, determine specific activities required for organizing the central, develop timetable for activities.
2. Organize central with minimum of 6 farmer groups, prepare documents for legal recognition process, determine financial requirements to begin operations.
3. Establish central service center in Chimoré area, open branch office of FENACRE to handle flow of interest-bearing savings from member groups (FENACRE has capability of on-lending through federation system to generate income from these funds), begin function of bulk purchasing and distribution of consumer goods and inputs to member groups, promote rural savings through campaigns.
4. Hold seminars in different areas to provide basic level training in management and bookkeeping, identify individuals for intensive training and provide financing through scholarships for on-the-job training in appropriate

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cooperatives outside the Chapare (the Cooperativa "La Merced" in Santa Cruz has expressed interest in providing this type of training on a contractual basis).

5. Develop capacity within central to provide periodic (perhaps biweekly) assistance at local level in bookkeeping and basic management practices.
6. Continue above steps in other areas with groups interested in participating in these services (stressing advantage of affiliation with existing member groups).

Time Frame

Upon beginning the implementation of the Chapare IRD Project, FENACRE and USAID/B will determine the needs for resources, a timetable of activities and for disbursements, and other procedural matters. This would take approximately three months. During this time the long-term resident advisor would be contracted. Promotional seminars in the Chapare would be held throughout the next three months. It is estimated another three month period would be required for the formal organizational activities to establish the central. The service center and branch office of FENACRE would begin operations in month ten. Steps three through six would continue in the remaining 20 months of Phase One. Total estimated time for this phase is 30 months.

Resources Required

FENACRE would be provided the financial assistance required.

- (1) to mobilize and maintain a promotional team in the Chapare during that stage
- (2) to place and maintain an administrator, accountant, and limited office staff as required to form the core staff of the central during Phase One.
- (3) to pay for the operational expenditures for the central office during.

Phase One.

(4) to purchase and maintain required office machinery, plus a four-wheel drive vehicle and motorcycle to be used by the central staff.

(5) to pay living allowances and training contract costs for selected member group personnel training in Bolivian cooperatives that successfully operate similar services (example, Cooperativa "La Merced" in Santa Cruz).

(6) to provide a limited line of credit to member groups for the purpose of initiating or improving services covered under Phase One.

A full-time resident advisor to the FENACRE branch office and central staff would be contracted for the duration of Phase One and at least part of Phase Two. He would be experienced in the organization and operation of rural cooperatives and have an adequate technical knowledge of cooperative administration and accounting. His primary function would be to advise FENACRE on the implementation of this project component, offer technical assistance to the central staff, and serve as an independent control on the utilization of Project funds. The advisor would be provided with a vehicle and the appropriate allowances that are customary for expatriate consultants.

Funds would be available through USAID/B to contract short-term advisors (local or expatriate) whenever specific needs arise and to conduct periodic Project evaluations of the component.

B. PHASE TWO

Objectives

Expand central services to include the provision of short-term credit in agriculture and other productive uses as a complement to the PCPA lending program. If feasible, the central would provide coordination and technical support to member groups in marketing and industrialization projects. The central would continue training of local personnel but with emphasis on

credit extension and administration of new services. Expansion into new areas also would be a priority activity, initially offering the same services as under Phase One.

A major objective during this phase will be obtaining economic self-sufficiency for the central. There will be a gradual reduction in funds used for subsidizing its administration, such that by the end of Phase Two, FENACRE would be offering the central and its member groups only those services provided to other federation cooperatives.

Actions

1. Organize capability within member groups to offer service of short-term lending to their membership. This would require intensive training of local and central personnel through scholarships similar to those under Phase One.
2. On-lend to qualified member groups from special funds held by FENACRE to supplement mobilized savings.
3. Utilize short-term technical assistance from local or expatriate consultants to determine feasibility of other services at the central or local level.
4. Coordinate with ONCICOOP to study the feasibility and financing of medium to long-term projects of member groups (such as for food processing plants).

Time Frame

During the first year of the second phase, emphasis will be placed on establishing sound management practices for extending short-term production credits. It is anticipated that the governmental credit program PCPA will be functional before this phase begins. The remaining one and one-half years will be used to consolidate the economic viability of the central and its

member groups. Whenever economically feasible, the central will expand its services and area covered in the Chapare and aid member groups to do the same. Total estimated time for this phase is 30 months.

Resources Required

FENACRE would be provided the financial assistance required:

- (1) to maintain the central core staff and office operation expenditures; however, this subsidy should be reduced proportionally as the central's operational earnings increase.
- (2) to pay living allowances and training contract costs for selected member group personnel training in Bolivian cooperatives that successfully operate services similar to those in Phase One and Two.
- (3) to provide a limited line of credit to member groups for the purpose of initiating or improving services covered under Phase One and Two.
- (4) to on-lend to qualified member groups from a fund established to supplement member savings.

The full-time resident advisor would continue his contract during the first 12 to 18 months of Phase Two. At this time his major function would be to advise FENACRE and the central on the implementation of the credit program.

Funds would be available through USAID/B to contract short-term advisors (local or expatriate) for periodic evaluations and to study the technical feasibility of new services or operations, such as in marketing and industrialization of local products. For the determination of the feasibility of longer-term financial projects, ONCICOOP would be utilized.

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