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# 21**Final Report****Small Farmer Organizations**

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**I. Feasibility studies for Future Integral Cooperatives.**

The studies were completed in July 1979. Eight technicians were contracted to serve as counterparts for eight National Community Development Service (NCDS) employees. These sixteen people formed eight teams; each team completed two pre-feasibility studies and one feasibility study. The sites for future Integral Cooperatives selected in these studies will not be promoted until 1981. Funds are available under the Title III program for the formation of new cooperatives.

**II. Formation of a National Organization for Integral Cooperatives.**

- A. A feasibility study for a federation of Integral Cooperatives was received from Hector Acevedo in July 1979. The study is inconclusive in that it wonders from the suggested scope of work and does not completely address the possibility of a federation. It is generally held that the Integral Cooperatives are too weak and have too many administrative deficiencies to participate in their own federation at the present time. One to two years would be a reasonable time frame for the formation of a federation.
- B. The Bolivian Agricultural Bank (BAB) has been chosen by USAID, Robert R. Nathan Associates (RRNA) and NCDS as the most appropriate credit channel for the Small Farmer Organizations (SFO) program. The NCDS has performed adequately in the management of CROFOC in the initial stages of the program. The program has progressed to the point that a more formal arrangement is necessary. Conversations will begin in September 1979 to formally pass the CROFOC fund to the BAB. It is expected that the new credit mechanism will be operable by January 1, 1980.
- C. The formation of a federation of Integral Cooperatives has not been undertaken because such an organization is not deemed feasible at this point.

Several other alternatives for a second level organization are being considered. The strong emphasis on the public

sector in Bolivia makes the exclusion of the cooperatives from that sector particularly difficult. However, to be truly successful, and to avoid the problems of Bolivian public administration, the host agency for the Integral Cooperatives must be private and not public. The possibility that the program could be brought to a successful conclusion under the auspices of the NCDS is remote. The complexity of the undertaking demands sufficient autonomy to permit flexibility in reacting to and in solving the problems of the Integral Cooperatives. It is extremely unlikely that needed autonomy and speed in decision making may be found in a Bolivian public institution. Recent instability in the NCDS has exacerbated the anomalies encountered in working through an agency of the Bolivian government.

FENACRE, of all the existing private sector cooperative institutions, presents the greatest potential for forming a successful relationship with the Integral Cooperatives. The most likely mutually acceptable alternative would be that of a semi-autonomous office exclusively for the Integral Cooperatives, but attached to FENACRE. After a period of strengthening the Integral Cooperatives, a decision would be made to either seek full affiliation with FENACRE or to form a separate federation of Integral Cooperatives.

Another alternative could be an independent office established to service the Integral Cooperatives and operated by Bolivians with the aid of a technical assistance team. An independent office could provide a bridge to a future federation and it could be linked to an existing public or private institution.

Other institutions which exist in the private sector have been examined either by Acevedo, RRNA or AID personnel, and have been judged inappropriate for the SFO program at this time. These include the Japanese colonies, FENACOAB, INALCO, COPAS, Menonites, DESEC, ASAR, La Merced, and ACLO.

### III. NCDS Organizational Structure.

The NCDS is basically a social action organization designed to provide counterpart assistance for small infrastructure projects. The NCDS is organized to work through zonal, and regional offices with a central office in La Paz. At the time the project was begun, the NCDS was the only organization with the institutional capacity to implement a project that envisioned working with a large number of scattered communities. When the project was modified, the structure of the NCDS was no longer as adequate to achieve the new goals. The regional and zonal offices do not have the technical ability to implement the project. Further,

the NCDS social philosophy clashes with the economic focus of the project. This conceptual conflict has been translated into a series of logistic problems. For instance, because of the nature of the NCDS self-help projects no particular follow-up is required once a work is completed. Obviously, an ongoing economic institution like a cooperative must have adequate follow-up.

The Chief of the NCDS department of cooperatives is unable to exercise the authority of his position. Selection and dismissal of subordinate personnel is beyond his control. Budgetary restraints are an additional problem. Quite often money is not available for travel to solve the crisis proportion difficulties which confront the cooperatives. An adequate travel budget could go far in preventing problems from reaching extreme levels. The rapid turnover in NCDS directors has adversely affected the project. During the past eight months the NCDS has had four directors.

Within the NCDS, the Department of Cooperative Development and the cooperative project is not well accepted. This situation is attributable to many causes, including personality conflicts. As mentioned, the project does not fit particularly well within the structure or philosophy of NCDS and the requirements of the project are not clearly understood.

- B. The relationship of CROFCC to any new structure is one of the key elements in moving the program forward. An adequate system of agricultural credit with favorable interest rates is essential. Presumably, the to be defined relationship with BAB will provide these services.

#### IV. Integral Cooperative Administration.

- A. The USAID audit report which was expected in November 1978 was not released until August 1979. Thus efforts to meet audit recommendations will not fall within this contract.
  - 1. Integral Cooperative accounting procedures and their prompt execution have improved over the last year. However, many problems still exist in this vital area and much work remains to be done. The cooperatives continue to be plagued with weak internal controls; monthly and annual financial statements are often tardy and inadequate. Part of the problem may be laid off on the rapid turnover in cooperative personnel which makes training very difficult. However, the lack of program discipline and the inadequacy of the NCDS/RRNA effort are reflected in the myriad administrative problems of the cooperatives.
  - 2. The purchase of accounting machines were projected under the re-design of the SFO project; they were to have been purchased with grant funds provided by USAID. Two and one half years later the machines have not yet been

purchased. The most recent delay revolves around the fact that mechanical accounting machines have become obsolete in the modern business world. Mini-computers offer many more advantages for the same or less cost. To date, it has been impossible to identify a mini-computer outlet in Bolivia with adequate service capability in the rural area. The purchase of these machines must be pursued: a program designed with mechanical accounting capabilities as a key feature cannot function at full efficiency without them.

3. Input procurement for the coming agricultural cycle has been completed. A waiver was recently granted by USAID/Washington to permit the purchase of Japanese origin urea from the BAB. The fertilizer was donated to BAB for its capitalization.
4. The inventories of the Integral Cooperatives are in normal condition.
5. Control procedures for sub-loan disbursements are being modified to coincide with the recommendations of the USAID audit report. It remains to be seen whether or not the new controls will be adequate as the loan disbursement cycle is just getting underway.

B. The three year projections of financial operating results made by the three functioning cooperatives were reviewed in May. The two milk marketing cooperatives, Cochabamba and Santa Cruz, were behind the Tahuantinsuyo cooperative in their projections to self sufficiency. A team of economists has been contracted to elaborate agro-industrial projects which would supplement the income of the milk cooperatives and the services that they provide. Results of these activities could be available in October, and the projects could be implemented prior to January 1, 1980.

#### V. SFO Project Implementation.

##### A. RRNA Advisory Group.

1. Contractor relations with the RRNA advisory group have been excellent. The success of the advisors and thus the program, in reaching their goals has been varied and requires mention. The advisory group consists of nine members. Four are assigned to each of the Integral Cooperatives. Five are stationed in La Paz, including the Chief of Party, Agricultural Credit, Administrative, Training and Agricultural Extension advisors. The original project was designed for the advisors to assist NCDS in

developing small cooperative organizations. There was a considerable lag in re-orienting the efforts of the advisory team toward the new focus of the program. The advisors currently in-country are qualified for their jobs. However, the group is so large and the individuals are of such diverse backgrounds that it has not been possible to develop a unified concept among the team. There exists a certain rigidity among certain advisors; they understand cooperatives, but they have been unable to adapt to the social realities of Bolivia. Others have had the opposite difficulty.

Among the realities of Bolivia that have been difficult for the national level advisors to accept is the problem of travel in Bolivia. The project was designed with the notion that the national level advisors would backstop the local advisors. This has not happened, largely because many of the national advisors have been unwilling to spend much time outside of La Paz.

One of the most serious difficulties for the advisory group has been coming to grasp with a definition of the advisory role. The group has fallen heir to a great deal of responsibility for implementing the project, but with little authority to ensure proper implementation. NCDS, on the other hand, has all of the authority, but little implementation capacity. When problems are elevated to the NCDS, advisors are qualified by the cooperatives as agents of the NCDS, thus damaging their credibility with the Integral Cooperatives. It is most likely that advisors are not looked upon as educators, but as a source of interference. The combination of all of these factors has limited the impact of the advisory group.

There is some doubt as to the efficacy of providing full time local advisors to the Integral Cooperatives. Management is the key to the administrative success of the Integral Cooperatives. Experience has demonstrated that an advisor working with a poor manager can accomplish very little. On the other hand, a good manager does not need the constant supervision of a full time local advisor. A traveling team of national advisors seems more appropriate for the manager who shows potential.

National traveling advisors, to be effective, must be in the field at least seventy-five percent of the time.

For the immediate needs of the program, the advisors must focus on solving problems at the cooperative level. U.S. advisors or third country nationals must be fully aware of the vagaries of transportation and communication in Bolivia before they are contracted. Approximate travel requirements should be stipulated in future contracts for technical assistance.

If local advisors are eliminated, then the advisory group would be reduced to national level advisors. The skills of the advisors should be tailored to the needs of the cooperatives and would be similar in the case of varying institutional structures. A restructured advisory team would require a Chief of Party with a cooperative background to coordinate and discipline team activities. Rather than utilizing separate credit and administrative advisors, these functions could be combined. An education advisor would be essential. Integral Cooperative requirements for commercialization and for purchase of inputs could be handled by the team and would not require separate technicians. This group would have to be complemented by a strong group of well-trained, well-paid Bolivians.

2. Radios for the program are out of customs; they have not been distributed pending definition of their ownership. That is, the questions of whether the radios should be donated to the cooperatives directly or held for ownership by a host agency have yet to be answered.
3. The Yacuiba Cooperative is being granted legal status by the Government of Bolivia. The cooperative is engaged in hiring an administrative staff and in preparing credit proposals. Credit will be required for planting in November and for the acquisition of farm machinery.

B. Integral Cooperative Training.

1. The greatest deficiency that has existed in the SFO project has been in educating and training at all levels. Advisors, particularly at the national level, have not worked closely with cooperative personnel to prepare them for their responsibilities and to assist and assure that education programs are carried out and are effective. If the advisory team were restructured, then the educational advisor should focus on member training via the Integral Cooperative extension agents. The credit/administrative advisors would train cooperative management personnel.
2. Work continues on NCDS training centers.

3. Paracaya cooperative administration course. Activity completed.

The SFO program, to be successful, must either be placed in a host agency in the private sector, or be set up as an independent office kinked to a public institution. The advisory group must be reduced to an agile national team that is willing to travel constantly. Further, a massive training effort must be undertaken. These steps will not assure the success of the project. Rather, they will take the program to a point that a structure will exist to begin solving the problems of the Integral Cooperatives.