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**"THE FINAL EVALUATION
OF THE AGRARIAN REFORM
FINANCING PROJECT"**

Submitted to:

USAID/El Salvador
519-03-07

Submitted by:

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We also would like to express our gratitude to Robert LaPort who assisted greatly in providing substantive and editing assistance to this evaluation report.

Sincerely,

Pedro C. Pérez-Gabino
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Percy Avram
Joseph Alessandro

TABLE OF CONTENTS

<u>TOPIC</u>	<u>PAGE</u>
EXECUTIVE SUMMARY	
I. INTRODUCTION	1
A. Purpose of the Evaluation	1
B. Methodology	1
II. PROJECT DEVELOPMENT	2
A. Background of the Project	2
B. New Conditions	3
III. RESULTS ACHIEVED BY COMPONENT	5
A. Rediscount Line of Credit	5
1. Findings	5
2. Discussion	19
3. Highlights of the Rediscount Line of Credit Reflected in UFTRA and ASU Progress Reports and Statistics	24
4. Conclusions	39
5. Recommendations	41
B. Training	43
1. Short In-Country Training, Talks and Seminars	43
2. Findings	44
3. Short Out-of-Country Training	45
4. Findings	45
5. Master's Degree Program	46
6. Findings	46
7. ABANSA Training Facility	46
8. Findings	47
9. Conclusions	47

10.	Recommendations	48
C.	Research, Policy Studies and Seminars	48
1.	Findings	49
2.	Conclusions	49
3.	Recommendations	49
D.	Savings Mobilization	50
1.	Findings	50
2.	Conclusions	52
3.	Recommendation	52
IV.	PROJECT IMPACT	53
V.	ADEQUACY OF PROJECT ASSUMPTIONS	61
VI.	LESSONS LEARNED	62
	LIST OF TABLES AND FIGURES	64
	LIST OF ANNEXES (separately provided)	66

EXECUTIVE SUMMARY

FINAL EVALUATION OF THE AGRARIAN REFORM FINANCING PROJECT USAID #519-0307

I. TASK ASSIGNED AND METHODOLOGY EMPLOYED

The Development Associates evaluation team conducted the final evaluation of the Agrarian Reform Financing Project under an IQC work order. The evaluation team was to assess performance against the goal and purpose of the project which is scheduled to end on July 31, 1991. The assignment included specific instructions to recommend a USAID response to a request from the Central Reserve Bank of El Salvador that the project be extended.

The evaluation team consisted of a financial analyst, a financial operations specialist, a training specialist, and an agricultural production specialist. The methodology included numerous interviews with project participants and review and analysis of data prepared by the Central Reserve Bank (BCR) Technical Unit for Financing the Reform Sector (UTFRA). The team also conducted field trips to nine of the ten Phase I cooperatives visited during the mid-term review of the project. In addition, the team reviewed reports documenting the training, technical assistance, policy analysis and review, and savings mobilization components of the project.

II. BACKGROUND OF THE PROJECT

The Agrarian Reform Financing Project was established on July 31, 1986 for a period of five years. The goal of the project is to improve the incomes and well-being of Reform Sector families who constitute the major segment of the rural poor in El Salvador. The purpose is to increase the agricultural outputs and the productivity of the Sector.

Funds totalling \$67 million were approved; AID contributed \$50 MM in grant funds complemented by the equivalent of \$17 MM in GOES counterpart funds. The primary project component is a \$60 MM credit rediscount facility domiciled in the BCR (USAID \$46 MM and GOES counterpart equivalent \$14 MM) to finance eligible loans made by participating financial institutions (PFI's) to Reform Sector Phase I cooperatives and Phase III small and medium-sized individual farmers.

The credit component of the project is supported by a significant training and technical assistance component for PFI credit officers, UTFRA credit agents, and cooperative managers and members, and by a third component to provide funding for research projects and policy analysis studies. A fourth somewhat unrelated component to promote the mobilization of savings accounts in the

Banco de Fomento Agropecuario (BFA) was discontinued about midway through the project due to their lack of cooperation with AID.

The project is administered by the BCR technical unit, UTFRA. To help UTFRA carry out its responsibilities in each of the four project components, a technical assistance contract with Arizona State University (ASU) was signed in September 1987 for \$3.49 MM in project grant funds covering the five-year life-of-project.

III. PROJECT ACTIVITY BY COMPONENT

A. BCR REDISCOUNT FACILITY

The thrust originally planned for project credit funds was to utilize the ten nationalized banks (PFI's) to lend to Phase I cooperatives and Phase III beneficiaries for the purpose of making investments to increase productivity and diversify production, especially into non-traditional export crops. However, two unforeseen factors affected implementation as planned:

- At the time the project was activated, a credit squeeze caused the BCR to request AID's cooperation by permitting the PFI's to make short-term loans for crop financing, including coffee crop financing, to free-up funds in the system for financing the traditional, non-reform agricultural sector. AID agreed.
- The willingness of the PFI's to lend to the Reform Sector for purposes other than short-term crop loans was over-estimated in the project design. Even though the funds were provided through the rediscount facility, the risk of loss remained the responsibility of the PFI's. The Phase I cooperatives, with a few exceptions, were not credit-worthy in the eyes of the PFI's as they were unable to offer their land as collateral.

These two factors have impacted the direction and utilization of project credit funds throughout its life. As of March 31, 1991 the rediscount facility had been utilized by PFI's in an amount of \$349.5MM (\$57.3 MM) comprised of 682 loans to 195 Phase I cooperatives, and 2,671 loans to Phase III (Decree 207) small and medium farmer beneficiaries. The \$57.3 MM amount includes some project funds which were lent, subsequently repaid, and later relent by the BCR. About 72 percent of amounts lent were for short-term crop production loans, while about 28 percent were for medium-term investment loans.

Project credit funds disbursed as of March 31, 1991 were \$48.3 MM. Approximately \$25 MM of project funds dedicated to the rediscount facility remained to be utilized (\$18 MM from USAID, \$5 MM of USAID

funds which were on hold for the BFA, and \$23 MM of GOES counterpart funds).

The credit experience of the PFI's thus far has been excellent with an average past-due loan rate of under 2 percent (over 98 percent of loans collected within 90 days of maturity). Our only caveat with respect to this excellent collection experience is that the majority of loan repayment has been in the short-term crop financing category (72 percent of outstandings); many of the medium-term investment loans are still in their grace period for principal repayment, so amortizations are not yet due. Nevertheless, of those investment loans which have had payments mature, experience is equally good.

Five major steps were taken to improve project results, namely:

- (1) During 1990, as part of the financial rehabilitation program for the reform sector cooperatives (ARCs), the GOES purchased most of the ARCs past due loans stemming from previous project or GOES funds from the banks, as well as loans to borrowers classified "D" and "E" (total purchased \$435 MM), transferring the ARCs short-term liabilities to long-term.
- (2) In July 1990, USAID authorized the participation of BFA in the Program. This action has been beneficial since at the end of December 1990 BFA had already made 3,000 loans to the 207 beneficiaries. (See page 8 of the BCR Special Report, Annex 9.)
- (3) A loan guarantee fund was established at the end of 1990, but not implemented until April 1991. The Guarantee Fund has been established to induce the PFI's, Banco Hipotecario and BFA to increase lending to the ARCs.
- (4) In September 1990, USAID, at the request of BCR, eliminated the additionality clause which placed limitations on the end use of project funds. This action permitted: (a) the inclusion of all ARC credit needs; (b) the acceleration of the use of funds without changing the original objectives, and (c) the making of resources available to meet the unsatisfied loan demand of the non-reform sector.
- (5) To promote investment financing, a new procedure has been developed to present all financial information and technical assistance requirements in one loan proposal package (as opposed to handling each credit request separately). (See page 9 of the BCR special report, Annex 9).

However, certain reforms still are required:

- Loan packaging procedures need improvement;
- Loan promotion must be made more effective;
- Improvements in technical assistance to increase farm production are required;
- Management capabilities of borrowers needs considerable and continued strengthening.

The findings indicate two principal tendencies: (1) PFI loan experience utilizing 0307 funds is excellent, but (2) there remains a reluctance on the part of the PFI's to participate in greater measure, especially in the making of investment loans. The excellent credit experience which the PFI's have enjoyed thus far is due in large part to the technical assistance of the UTFRA team, along with the supervision and involvement of the ASU staff. We believe that their continued participation is needed; however, its thrust should probably be redirected toward the BFA which needs assistance and is expected to play an expanded role in the future, if the project is extended.

B. THE TRAINING AND TECHNICAL ASSISTANCE COMPONENT

The training component is divided into four sub-components: (1) short-term in-country training of both bank (PFI) lenders connected with the project and cooperative management and member-officers, the largest of the four; (2) short-term out-of-country training visits to neighboring countries for specific purposes; (3) master's degree training originally targeted for 20 participants; and (4) the purchase and supply by ASU of selected computer and other equipment for the Bankers Association (ABANSA) training center. The technical assistance indirectly supported by the project was the UTFRA technical assistance group responsible for overall project supervision, assisted by ASU which AID funded directly.

Short-term in-country training consisted of 54 courses attended by 1,202 bank technicians, members of cooperatives, and others. In addition, as the need for upgrading skills at the cooperatives became more evident, over 100 talks and seminars were given on various subjects, with over 5,300 attendees, mostly from cooperatives.

Twelve short-term out-of-country training activities were conducted. Ninety-nine bank technicians, cooperative members, and others participated in programs that addressed such topics as improved coffee growing methods in Costa Rica, and farm management and worker training in the Dominican Republic and Honduras. Three bankers attended courses in the development bank in Brazil.

Twelve candidates from the banking system were eventually selected for entry into master's degree programs. Seven attended the Technical Institute for Higher Education in Monterrey, Mexico; one attended INCAE; and four attended ASU. Eleven of the 12 have or will shortly graduate; one withdrew due to illness.

ASU selected and purchased approximately \$120,000 in computer and related equipment using project funds to equip the ABANSA training center. At the time of our evaluation, 98 percent of the purchases had been installed and were fully operational in appropriate temperature-controlled surroundings. Training activities at the center have been intensive, with UTFRA utilizing the center during the day and the Bankers Association conducting their classes during the evening.

C. RESEARCH, POLICY STUDIES, AND SEMINARS

This component was under the direct control of ASU. Eight studies and nine working papers were completed. The areas covered concerned credit and computer systems pertaining directly to the establishment and functioning of the project's credit delivery system and controls, and a transaction cost study pertaining to segments of the BFA operation was also funded. Limited circulation of the studies has taken place, but there have been no major seminars to disseminate the information derived from the studies.

D. BFA SAVINGS MOBILIZATION COMPONENT

The project design called for assistance to the BFA, which has 27 agencies throughout El Salvador, to develop a promotional program to increase the capture of savings deposits in its agencies. Deposits represent only a small fraction of the BFA's lendable resources, the bulk being GOES and international agency funding. This project component was under direct ASU responsibility.

There have been a series of difficult and largely unproductive negotiations between USAID and the BFA over the years over matters related to improving the institutional health of BFA. A breakdown in negotiations occurred in 1988 which was accompanied by an unwillingness on the part of the BFA to cooperate with AID and ASU on plans for the savings mobilization program. Therefore, this component was canceled in early 1989.

However, following its own program format without AID assistance to install upgraded equipment or publicize the savings product, BFA has experienced a growth in savings deposits from \$33 MM as of 12/31/86 to \$103 MM at year-end 1990. It is only licensed by BCR to accept deposits at 15 of its 27 branches, and only four of these have on-line computerized accounting capability.

IV. MAJOR PROJECT 519-0307 ACCOMPLISHMENTS AND SHORTCOMINGS

Project 519-0307 must be viewed as a \$60 MM agricultural credit facility established to provide financing to a crucial economic and social sector of El Salvador. However, as important as it is in terms of its control over vital national assets, providing credit to the Reform Sector is especially difficult due to the almost complete lack of technical and managerial skills on the part of cooperative members. This condition (1) negatively affects the credit-worthiness of the cooperatives, and (2) their ability to utilize credit properly and productively when received. Therefore, the only way in which the credit component of the project could produce positive results within a bankable, sustainable, and businesslike context, is with the support of extensive training and technical assistance provided to both lenders and recipients on a continuing basis.

Project success therefore depended on the ability of those involved in its implementation to create a sound credit delivery system and, simultaneously, upgrade human skills of those involved on both the lending and borrowing side. The credit delivery system was established and functioning early, and has been improved continuously as procedural revisions to increase efficiency and output have been accepted. Innovations such as the establishment of the BCR guarantee facility have been added in an effort to provide incentives for increasing medium-term investment lending. At the same time, training and T/A to improve borrower credit-worthiness in reality and in the eyes of the lender requires continuing resource expenditure from this and other projects.

The design and evolution of the delivery system, combined with the training and T/A provided, which permitted annual increases in credit usage and excellent collection experience thus far, is a definite positive accomplishment in the opinion of the evaluation team. The technical and operational infrastructure, along with a cadre of trained technicians to maintain a sound and sustainable program to finance the Reform Sector in the future by re-lending project funds as they are repaid, is in place.

The failure to utilize some \$25 MM of project funds by the scheduled termination of the project is noted. Similarly, the project's lack of success in achieving even a 50 percent level of investment loans to total loans is problematical. Crop production loans are necessary to finance essential inputs and working capital to carry farm families during the growing period. However, they do not contribute to a basic improvement in the long-term productivity of the land. The BCR guarantee fund, first suggested almost three years ago, as a possible means to improve PFI willingness to lend for investment purposes was established in late 1990, and only became available to lenders in early 1991. This is an example of the time needed to effect a positive change in the project given the multiple parties involved.

V. MAJOR CONCLUSIONS AND RECOMMENDATIONS

A. BCR REDISCOUNT FACILITY

1. Conclusions

The evaluation team reached the following conclusions:

- a. The total loan volume of the PFI's has been increasing satisfactorily for short-term crop financing. Longer-term investment financing has not increased as rapidly as desired, although the loan guarantee program now available should accelerate loan disbursements in this category.
- b. The PFI's will not participate more actively in longer-term financing until the ARC's financial and administrative capabilities improve substantially.
- c. An increase in the spreads for longer-term financing (spread sensitivity) will not have any appreciable affect on the PFI's management as an inducement to increase their longer-term portfolio of ARC loans. However, an increase sufficient to absorb the cost of the BCR loan guarantee fee might help.
- d. The BCR streamlining of the approval process has been very beneficial to the operating efficiency of the PFIs. The reduced approval time for both short- and long-term loan financing has increased profitability of the PFI's and accelerated utilization of the rediscount facility.
- e. The monitoring and credit controls of the outstanding lines of credit remain effective, resulting in good loan supervision.
- f. Loan proceeds are disbursed in an orderly fashion and monitored throughout the crop growing cycle. This supervision assures that crop sales proceeds are applied to repay outstanding loans in a consistent manner.
- g. The use of credit agents in the PFI's has achieved the desired results to improve the banks' loan administration.
- h. The PFI's are doing a satisfactory job in serving the short-term credit needs of the ARCs.
- i. The capacity of the PFI's to finance large projects is limited.
- j. The increased lending authority of the PFI's has had a beneficial effect on project fund utilization.

2. Recommendations

The evaluation team had these recommendations on the rediscount facility:

- a. We recommend the extension of the Agrarian Reform Financing Project AID 519-0307 for another two years. The well-being of Reform Sector beneficiaries will be enhanced to the extent that Project funds are utilized, and only additional time is required to employ the remaining amount. Procedures have been refined and are in place, and the pace of approval and disbursement has been accelerating.
- b. To permit better loan packaging, streamline the credit delivery system to include the credit needed for crop, investment and working capital. Credit limits for each cooperative should be established to include all credit needs and longer amortization periods for some loans, depending upon the purpose.
- c. The provision of long and short-term technical assistance to the BFA through the present contract, and through the continuation of the UTFRA program should be redirected to support BFA and its Reform Sector customer base.
- d. Should BFA satisfy USAID's requirements, we would recommend consideration of an amendment to Project 519-0307 which would permit the BFA to use Project funds under the rediscount line of credit to service its traditional small and medium farmer and cooperative client base in addition to Reform Sector beneficiaries.
- e. USAID should consider changing the norms of the rediscount facility to permit the reimbursement of the facility with grant funds to allow the BCR to build up its rediscount line with reflows in future years so that the grant funds definitely can be fully utilized within the next two years.
- f. The Loan Guarantee Fund should be amended in such a way as to satisfy lenders and increase their willingness to finance non-traditional export investment projects.
- g. The BFA must continue to implement programs of cost reduction, portfolio clean-up, and the rationalization of their organization as required by USAID.

B. TRAINING AND TECHNICAL ASSISTANCE

1. Original project targets were met and exceeded during the LOP. Further credit agent training will be required if Recommendation 1

above is adopted, and the needs assessment for a cooperative is combined with the determination of a comprehensive "credit line" including both crop and investment loan requirements.

2. Training and technical assistance directed at improving cooperative farming and management capabilities, and thereby their credit-worthiness, should be continued with high priority. Ultimately, the only sustainable way to improve the productivity of these important national assets is through the upgrading of these capabilities; credit is only an essential tool.

3. If the project is extended, full-time technical assistance should be provided to help BFA improve its lending and loan collection capabilities. In addition, short-term T/A should be provided to BFA to help resolve problem areas as identified. UTFRA resources should also focus on improving BFA loan quality in the investment loan area.

4. Short-term, in or out-of-country, training needs in specific product or management areas may be identified, particularly in connection with crop diversification activities. We recommend that, if the project is extended, this possibility be taken into account and provided for.

5. With respect to lessons learned in the training component to date, we recommend more thorough planning of both in-country and out-of-country short-term programs for matching course content with student level and needs. Inadequate attention was given initially to the objectives of the courses. Post-course evaluation was lacking and should be included in the future to measure teaching effectiveness and accomplishment of course goals.

6. Those selected to attend master's programs in the U.S. should be required to have a proficiency in English far beyond basic test minimums.

C. RESEARCH, POLICY STUDIES, AND SEMINARS

The output under this component was sufficient in terms of quantity and acceptable in quality in the opinion of the evaluation team. The topics covered were important to the forward movement of the project. The lack of any formalized method of disseminating finished products might be considered a shortcoming, and no seminars were held. We recommend that, in the future, the Technical Advisor and others involved at least meet informally to discuss finished work and decide the extent to which the work should be distributed.

D. THE SAVINGS MOBILIZATION PROGRAM

Although USAID involvement in this component was canceled in 1989, our evaluation recommends that BFA evaluate its future as a

deposit-taker. While worthwhile at its present state, substantial system up-grading would be required to bring more of its agencies on-line (beyond the four which are on-line at present). At this point, a cost-benefit analysis might be helpful in determining whether potential deposit increases justify the additional systems expenditure which would be required.

I. INTRODUCTION

A. PURPOSE OF THE EVALUATION

In April 1991 USAID/El Salvador secured the services of Development Associates, Inc. to perform the final evaluation of Project AID No. 519-0307, Agrarian Reform Financing. The evaluation is needed to provide the Mission with an independent assessment of the progress and impact resulting from extensive efforts put forth to further accomplish project purposes and the goal since the last formal evaluation performed in October/November 1988. At the goal level this final evaluation assesses how and to what extent the Project has contributed to the improvement of the economic well-being of agrarian reform sector farm families through increased agricultural production, productivity of land and labor from the use of credit made available through the Project. At the purpose level, this final evaluation assesses the extent and significance of increased availability and productive use of credit in the reform sector, the extent to which the Project has contributed to improving credit delivery systems, the performance of the Central Reserve Bank (BCR) Coordinating Unit and the credit agents assigned to banks, and the organization, content and delivery of technical assistance and training. The assessment includes an analysis of the banking system strengths and weaknesses and its ability to continue serving the target clientele, and recommendations as to what future role USAID/El Salvador should play in this area.

Another purpose of the evaluation is to develop a response to the BCR's recommendation that Project 519-0307 be extended to permit the full utilization of the funds obligated.

B. METHODOLOGY

Development Associates' four-person team, consisting of a financial analyst, a financial operation specialist, a training specialist and an agriculture production specialist, obtained the information used in the report by interviewing BCR management and Banco de Fomento Agropecuario (BFA) staff as well as Arizona State University representatives, USAID officials, participating commercial bank personnel, cooperative beneficiaries of the Project, and representatives of other related agencies.

Additionally, an analysis of the statistical data produced by UTFRA and other information related to the project were analyzed. The team validated the data and information received during their field visits. The training activity and policy studies and research, as well as the Savings Mobilization Program of the BFA were reviewed. Numerous reports, studies and other background material relating to the Project were also reviewed.

II. PROJECT DEVELOPMENT

A. BACKGROUND OF THE PROJECT

The Agrarian Reform Financing Project (AID 519-0307) was established on July 31, 1986 when the United States Agency for International Development (USAID) signed an agreement with the Government of El Salvador (GOES). The five-year Project expires on July 31, 1991. Funds amounting to \$67 million were approved, made up of \$50 million from USAID grant funds, and the equivalent of \$17 million of GOES counterpart contribution.

The Project consists of four components: (1) a rediscount line of credit administered by the Central Reserve Bank (BCR); (2) a training program for bank officials and credit agents; (3) research, policy studies and seminars dealing with issues relevant to agricultural financing, and (4) a pilot savings mobilization program with Banco de Fomento Agropecuario (BFA). (The Pilot Savings Mobilization Program was dropped early in the second quarter 1989 as BFA did not comply with AID requirements).

As part of the first component, the BCR established a \$60 million rediscount line of credit for on-lending to participating financing institutions (PFI's), USAID providing \$46 million and the GOES \$14 million. The rediscount facility is available for short-term crop loans and longer-term investment credit, channelled by the PFI's exclusively to the reform sector borrowers (Phase I cooperatives and Phase III beneficiaries). The participating PFI's are responsible for loan appraisals, assessing the credit-worthiness of the ultimate borrower, completion of the required documentation, and its submission to the BCR. The PFI's must bear any losses arising out of default of loans financed by the rediscount facility. The fund will increase over time through the capitalization of a portion of BCR's spread to the fund, and through the reuse of funds which have been repaid by borrowers. The original schedule for project fund utilization is:

SOURCE	FY86	FY87	FY88	FY89	FY90	FY91	TOTAL
AID Grant	\$6.0mm	\$ 9.0mm	\$ 9.0mm	\$ 9.0mm	\$ 9.0mm	\$ 4.0mm	\$46.0mm
GOES Counter- Part Funds	\$2.0mm	\$ 2.5mm	\$14.0mm				
Total Funds Available	\$8.0mm	\$11.5mm	\$11.5mm	\$11.5mm	\$11.5mm	\$ 6.0mm	\$60.0mm
Cumulative Total	\$8.0mm	\$19.5mm	\$31.0mm	\$42.5mm	\$54.0mm	\$60.0mm	

The Project is administered by the BCR's Technical Unit for Financing the Reform Sector (UTFRA).

In September 1987, Arizona State University (ASU) was awarded \$3.49 million contract by USAID to provide technical assistance to UTFRA in the development of the four project components.

B. NEW CONDITIONS

During the period of implementation of this Project important changes were witnessed in the El Salvador banking system, due to new Government policies concerning the restructuring and privatization of the commercial banks. The result was a reduction in the number of commercial banks (PFI's) from 10 to 6 and a reversal of the 1980 nationalization policies of the commercial banks. The privatization process is in progress, with the ownership of the commercial banks being sold and transferred to private shareholders.

Under the 0307 Project, lending to the reform sector was done through the commercial banks and Banco Hipotecario up to July 1990 when BFA was incorporated into the Program. Bank privatization coupled with greater emphasis on profitability, may lead the commercial banks to select less risky, safer and larger loans causing project lending to decline.

Five major steps* were taken to improve project results, namely:

- (1) During 1990, as part of the financial rehabilitation program for the reform sector cooperatives (ARCs), the GOES purchased most of the ARCs past due loans stemming from previous project or GOES funds from the banks, as well as loans to borrowers classified "D and "E" (total purchased \$435 MM), transferring the ARCs short-term liabilities to long-term. The purpose of the GOES action was to improve the balance sheet of the banks prior to privatization. This action did not change the credit-worthiness of the ARCs.
- (2) In July 1990, USAID authorized the participation of BFA in the Program. This action has been beneficial since at the end of December 1990 BFA had already made 3,000 loans to the 207 beneficiaries. (See page 8 of the BCR Special Report, Annex 9.)
- (3) A loan guarantee fund was established at the end of 1990, but not implemented until April 1991. The Guarantee Fund has been established to induce the PFI's, Banco Hipotecario and BFA to increase lending to the ARCs.

*The steps are elaborated upon further under appropriate headings in the report.

- (4) In September 1990, USAID, at the request of BCR, eliminated the additionality clause which placed limitations on the end use of project funds. This action permitted: (a) the inclusion of all ARC credit needs; (b) the acceleration of the use of funds without changing the original objectives, and (c) the making of resources available to meet the unsatisfied loan demand of the non-reform sector. The effect of this measure contributed in part to the 45.6 percent increase of credit granted by the banks in 1990 using Project funds over the previous year. (See page 8 the BCR Special Report, Annex 9).
- (5) To promote investment financing, a new procedure has been developed to present all financial information and technical assistance requirements in one loan proposal package (as opposed to handling each credit request separately). (See page 9 of the BCR special report, Annex 9).

The evolution of these new conditions are mentioned in the background to this report because of the impact they will have on Project 0307, and for setting a proper stage for the evaluation, since these were not contemplated within the Project's original design.

III. RESULTS ACHIEVED BY COMPONENT

A. REDISCOUNT LINE OF CREDIT

1. Findings

- a. At the mid-term evaluation as of September 30, 1988, \$21.3 MM or ₡106.7 MM, were granted under the Rediscount Line of Credit. As of March 31, 1991, the Project has granted a cumulative total of \$57.3MM (₡349.5 MM), including AID, GOES and BCR funds. Funds lent, repaid, and then re-lent are included in these figures. (See Tables 1 and 1a.)

Of that amount, 195 different cooperatives had received 682 loans for ₡328.5 million (\$54.4 million @ ₡6.04/\$), and 2,671 loans valued at ₡20.8 million (\$2.9 million @ ₡7.27/\$) were received by 3,679 Decree 207 beneficiaries. (See Table 2.)

As of March 31, 1991, \$48.3 MM (₡303.3MM) of project credit funds including AID, GOES and BCR funds had been disbursed compared with \$21.3MM (₡80.5MM) as of September 30, 1988, an increase of 126.8 percent. Approximately \$25 MM of project funds remain to be utilized (\$18MM from USAID, \$5MM of USAID funds which are on hold for BFA, and ₡23MM of GOES counterpart funds). (See Tables 1a, 2 and 3).

- b. One of the project objectives was to increase the income of the agrarian reform beneficiaries. When the cooperatives under the agrarian reform were organized, crop production was concentrated in coffee, cotton, sugar cane and corn, the traditional crops produced in El Salvador. As of March 31, 1991, the diversification of crops has been substantial with the production of 22 different crops being supported by 395 loans to Phase I cooperatives for the past growing seasons (See Table 4). Crop diversification has benefitted the farm families by providing more employment and experience in growing different crops. In addition, the growing of non-traditional crops for export benefits both cooperatives and the GOES. The cooperative benefits because the severity of loss of one or more crops can be offset by good yields in other crops. The GOES benefits from the foreign exchange received for the crops exported. Another benefit for the GOES is import substitution which saves foreign exchange. These benefits have been realized in part because of other Mission programs and through technical assistance provided by Technoserve, CLUSA, and others.

TABLE 1

SENER GENERAL DE MONEDA
 BANCO TECNICA PARA EL FINANCIAMIENTO DE LA REPUBLICA ARGENTINA
 MONEDA OPERATIVA Y DE RESERVA
 (dolares)

	AL 31/03/68		AL 31/03/69		AL 31/03/70		AL 31/03/71		AL 31/03/72		AL 31/03/73	
	MONEDA	RESERVA	MONEDA	RESERVA	MONEDA	RESERVA	MONEDA	RESERVA	MONEDA	RESERVA	MONEDA	RESERVA
MONEDA OPERATIVA :												
FONDO ADO												
INSTRUMENTOS												
AUTO												
D. SOCIEDAD 287												
RESERVA												
TOTAL	14,577,261.40	17,048,773.00	17,364,323.00	17,323,734.00	175	17,323,734.00	175	22,127,115.00	272	22,127,115.00	272	22,347,501.35
FONDO COMPENSACION												
INSTRUMENTOS												
AUTO												
D. SOCIEDAD 287												
RESERVA												
TOTAL	459,005.20	615,345.20	1,095,145.20	4,404,234.41	98	5,009,439.20	116	867,721.50	51	3,249,421.00	94	7,790,395.43
FONDO DE COMPENSACION												
INSTRUMENTOS												
AUTO												
D. SOCIEDAD 287												
RESERVA												
TOTAL	5,209,439.20	5,209,439.20	10,300,439.20	14,312,932.99	70	14,401,202.37	72	14,077,119.40	75	22,347,282.91	122	18,997,748.99
TOTAL	2,315,714.20	22,944,548.40	29,399,901.20	34,342,901.00	343	37,017,005.04	343	37,071,954.74	328	47,983,999.87	488	54,437,646.77
MONEDA RESERVADA :												
FONDO ADO												
INSTRUMENTOS												
AUTO												
D. SOCIEDAD 287												
RESERVA												
TOTAL	14,488,074.73	15,109,728.25	14,914,007.00	14,344,005.00		14,201,649.07		19,541,643.97		19,775,399.01		23,489,917.11
FONDO COMPENSACION												
INSTRUMENTOS												
AUTO												
D. SOCIEDAD 287												
RESERVA												
TOTAL	64,974.12	72,264.12	541,431.00	2,279,000.30		2,703,000.76		410,225.04		875,009.43		2,394,310.00
FONDO DE COMPENSACION												
INSTRUMENTOS												
AUTO												
D. SOCIEDAD 287												
RESERVA												
TOTAL	4,444,932.20	4,444,932.20	5,517,432.20	7,007,000.00		10,254,000.00		12,109,000.00		13,611,000.00		12,763,000.00
TOTAL	4,449,907.04	4,449,907.04	5,518,368.47	7,011,010.35		10,264,572.00		12,116,309.16		13,621,001.43		12,768,002.99
TOTAL	19,517,097.91	19,551,901.73	22,003,997.22	26,347,091.72		29,529,430.43		32,060,230.77		34,772,291.07		39,043,200.10

92

**TABLE 2. CUMULATIVE NUMBER AND AMOUNT OF LOANS REDISCOUNTED BY
EL SALVADORAN CENTRAL RESERVE BANK UNDER REDISCOUNT LINE
AID 519-0307 AS OF MARCH 31, 1991
(Value in Colones)**

PHASE I COOPERATIVES	
NUMBER COOPS. WITH LOANS	195
NUMBER OF LOANS	682
AMOUNT GRANTED	328,508,625.98
AMOUNT DISBURSED	283,328,041.55
AMOUNT REPAID	148,609,656.85
OUTSTANDING BALANCE	134,718,384.70
DEGREE 207 BENEFICIARIES	
NUMBER OF BENEFICIARIES	3,679
NUMBER OF LOANS	2,671
AMOUNT GRANTED	20,780,897.50
AMOUNT DISBURSED	20,004,555.71
AMOUNT REPAID	3,745,581.25
OUTSTANDING BALANCE	16,258,074.46
TOTAL	
NUMBER OF LOANS	3,353
AMOUNT GRANTED	349,289,523.48
AMOUNT DISBURSED	303,332,597.26
AMOUNT REPAID	152,355,238.10
OUTSTANDING BALANCE	150,977,359.16

Source: Table XII - BCR Statistics

ESTABL2 .Rpt/AID3

**TABLE 3. USAID/EL SALVADOR PROJECT FINANCIAL STATUS REPORT AS OF 3/31/91
(US\$)**

	Original Commitment	Authorized Changes	Revised Total Commitments	Used	Outstanding Balance
• Rediscount Line <u>1/</u>	46,868,924	0	46,868,924	28,455,799	18,413,125 <u>2/</u>
• Training	1,789,383	222,379	2,011,762	1,534,685	477,077
• Studies	500,581	140,794	641,375	537,027	104,348
• Saving Mobilization	110,693	(35,389)	75,304	75,304	0
• AID Project Admin.	365,000	(152,943)	232,057	231,858	199
• Evaluation	200,000	(141,021)	58,979	57,309	1,670
• Contingency/Inflation	145,419	(33,820)	111,599	334	111,265
TOTAL	50,000,000	0	50,000,000	30,892,316	19,107,684

Source: USAID/El Salvador - Project Information Summary - Page 231 - as of 3/31/91

1/The Rediscount line item includes an amount for long-term technical assistance of \$758,000.

2/\$18,413,125 + \$5,000,000 (Pending due to BFA meeting USAID requirements) = \$23,413,125.

NOTE: GOES counterpart funds pending for disbursement is \$23.0 million.

28

**TABLE 4. PURPOSE OF PRODUCTION LOANS GRANTED TO PHASE I
COOPERATIVES, UNDER REDISCOUNT LINE AID 519-0307**

CUMULATIVE AS OF 03/31/91
(Value in Colones)

PURPOSE	NUMBER OF LOANS		GRANTED		DISBURSED		REPAID		OUTSTANDING	
	No.	%	₡	%	₡	%	₡	%	₡	%
Coffee	199	50.4	198,449,251.24	85.9	179,733,437.98	88.1	116,419,136.02	90.9	63,314,301.96	83.5
Henequen	6	1.5	2,648,679.00	1.1	1,655,859.45	0.8	1,630,857.54	1.3	25,001.91	0.0
Kenaf	2	0.5	1,221,105.00	0.5	966,949.31	0.5	966,949.31	0.8	0.00	0.0
Okra	15	3.8	2,800,153.80	1.2	2,464,696.82	1.2	2,254,318.02	1.8	210,378.80	0.3
Watermelon	5	1.3	532,610.00	0.2	362,795.62	0.2	176,039.94	0.1	186,755.68	0.2
Sesame	41	10.4	3,392,463.81	1.5	2,589,297.29	1.3	556,512.19	0.4	2,032,785.10	2.7
Peanuts	10	2.5	500,400.00	0.2	450,190.48	0.2	170,854.11	0.1	279,336.37	0.4
Citrus	1	0.3	9,880.00	0.0	9,880.00	0.0	9,880.00	0.0	0.00	0.0
Beef Fattening	32	8.1	6,678,097.99	2.9	4,557,875.17	2.2	2,390,080.80	1.9	2,167,794.37	2.9
Mango	1	0.3	6,884.00	0.0	4,719.00	0.0	4,719.00	0.0	0.00	0.0
Coconut	7	1.8	595,246.00	0.3	371,154.86	0.2	162,028.54	0.1	209,126.32	0.3
Working Capital	10	2.5	1,744,017.97	0.8	1,634,847.47	0.8	645,000.00	0.5	989,847.47	1.3
Machinery and Equipment	13	3.3	2,323,649.13	1.0	2,093,143.13	1.0	999,550.00	0.8	1,093,593.13	1.4
Vigna	17	4.3	1,474,542.08	0.6	1,112,723.79	0.5	343,681.71	0.3	769,042.08	1.0
Plantain	5	1.3	1,574,928.47	0.7	1,001,447.89	0.5	221,082.09	0.2	780,365.80	1.0
Soybeans	7	1.8	478,456.65	0.2	173,347.18	0.1	17,640.53	0.0	155,706.65	0.2
Melon	10	2.5	4,201,676.00	1.8	2,966,278.22	1.5	1,124,853.22	0.9	1,841,425.00	2.4
Corn Seed	5	1.3	1,519,150.00	0.7	1,425,550.00	0.7	0.00	0.0	1,425,550.00	1.9
Property Improvements	1	0.3	25,000.00	0.0	25,000.00	0.0	0.00	0.0	25,000.00	0.0
Cocoa	1	0.3	557,000.00	0.2	288,167.65	0.1	0.00	0.0	288,167.65	0.4
Vegetables (Tomato)	3	0.8	100,138.00	0.0	0.00	0.0	0.00	0.0	0.00	0.0
Pepino	1	0.3	18,375.51	0.0	18,375.51	0.0	0.00	0.0	18,375.51	0.0
Beehive	1	0.3	18,398.54	0.0	17,398.54	0.0	0.00	0.0	17,398.54	0.0
Rice	1	0.3	87,400.00	0.0	0.00	0.0	0.00	0.0	0.00	0.0
Beans	1	0.3	63,750.00	0.0	0.00	0.0	0.00	0.0	0.00	0.0
TOTAL	395	100.0	231,021,253.19	100.0	203,923,135.36	100.0	128,093,183.02	100.00	75,829,952.34	100.0

Source: Table XVI - BCR Statistics

table3/aid3

29

- c. An important Project objective was the provision of medium-term investment loans to assist the reform sector cooperatives to improve their infrastructure and equipment inventory, thereby improving productivity, and to finance new projects (e.g., shrimp production, small irrigation projects, agro-industry). Accordingly, 287 investment loans to 195 cooperatives totalling ₡97.5 MM have been approved. ₡74.5 MM has been disbursed, and ₡32.7 MM repaid thus far. Of all project credit funds granted, 28 percent have been investment loans which is a reasonable showing. A balance of ₡41.8 MM remained outstanding on March 31, 1991. (See Table 4a, 5, 5a and 10a).

INVESTMENT LOANS COMPARED WITH TOTAL LOANS AS OF 3/31/91

	Phase I Cooperatives	Decree 207 Beneficiaries
Total Loans Granted	₡329.0 MM	₡20.8 MM
Investment Loans Granted	₡ 97.5 MM	₡ .8 MM
Percentage	29.7%	3.8%

(See Table 5).

- d. Crop diversification has taken place in the cooperatives visited. For example, at the mid-term evaluation (Oct/Nov 88), two of the visited cooperatives were growing two crops and the same cooperatives now grow seven different crops of which some are non-traditional crops for export (i.e., melons, sesame, marigold). A distribution of crop and investment loans are shown in Tables 4 and 4a).

We do not have income figures to substantiate that improved living standards are derived from efforts to encourage crop diversification. However, a substantial number of cooperatives have succeeded in producing non-traditional export crops and new import-substitution crops. Their continuing to plant and harvest these crops, as opposed to returning to traditional crops, is an indication that increased incomes are indeed being achieved.

Non-traditional export crop production showed 333,500 persondays of employment in the first quarter 1991, an increase of 247 percent over the previous quarter. Import substitution crops resulted in 9,900 persondays of employment, a 1,414 percent increase. These figures at least indicate the increase in work generated by the crop diversification program. (See Table 6.)

**TABLE 4a. PURPOSE OF REDISCOUNTED INVESTMENT LOANS MADE TO
PHASE I COOPERATIVES UNDER REDISCOUNT LINES AID 519-0307
CUMULATIVE AS OF MARCH 31, 1991**

(Value in Millions Colones)

PURPOSE	REDISCOUNTS (¢ Millions)	PERCENT OF TOTAL
MACHINERY AND EQUIPMENT		
	23.9	24.5%
Purchase of new machinery and repair of existing machinery	23.9	
INFRASTRUCTURE	3.9	4.0
LIVESTOCK	13.6	13.9
Dairy	2.8	
Beef	0.9	
Dual purpose (dairy/beef)	8.5	
Swine	0.2	
Poultry	1.1	
Bees	0.1	
CROPS	46.2	47.4
New coffee plantations	17.6	
Renovation of coffee plantations	22.4	
Citrus	1.1	
Bananas	3.1	
Cardamon	0.5	
Henequen	0.7	
Cashcer	0.8	
AGROINDUSTY	9.9	10.2
Coffee processing	9.9	
TOTAL	97.5	100.0%

Source: Table XV - BCR Statistics

**TABLE 5. LOANS GRANTED BY USER, TYPE, NUMBER AND AMOUNT
(3/31/91 - (000 Colones)**

1. <u>Phase I Cooperatives</u>		
• <u>Type of Loan</u>	<u>Number of Loans</u>	<u>Percentage</u>
Production	395	57.9
Investment	287	42.1
TOTAL	682	100.0%
• <u>Amount Granted</u>	<u>Amount</u>	<u>Percentage</u>
Production	¢231.0 MM	70.3
Investment	97.5 MM	29.7
TOTAL	¢328.5 MM	100.0%
2. <u>Decree 207 Beneficiaries</u>		
• <u>Type of Loan</u>	<u>Number of Loans</u>	<u>Percentage</u>
Production	2,668	99.9
Investment	3	.1
TOTAL	2,671	100.0%
• <u>Amount Granted</u>	<u>Amount</u>	<u>Percentage</u>
Production	¢20.0 MM	96.2
Investment	.8 MM	3.8
TOTAL	¢20.8 MM	100.0%

Source: Table XIV - BCR Statistics

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TABLE 5a
DISTRIBUTION OF CUMULATIVE REDISCOUNTS FOR ANNUAL PRODUCTION AND INVESTMENT PURPOSES BY BCR
(Value in Colones)

	<u>1987</u>		<u>1988</u>		<u>1989</u>		<u>1990</u>		<u>1991*</u>	
1. Loans To Phase I Cooperatives										
• Number of Loans	<u>278</u>		<u>700</u>		<u>1165</u>		<u>2126</u>		<u>682</u>	
% Production	32.0%		39.2%		45.5%		56.1%		57.9%	
% Investment	68.0%		60.8%		54.5%		43.9%		42.1%	
	100.0%		100.0%		100.0%		100.0%		100.0%	
• Amount Granted										
• Production (Amount & %)	96,228,374	67.8%	229,334,721	62.8%	405,678,079	65.2%	771,296,551	70.8%	231,007,266	70.3%
• Investment (Amount & %)	45,739,861	32.2	136,094,667	37.2%	217,013,379	34.8%	317,708,600	29.2%	97,501,360	29.7%
• Total Granted (Amount & %)	<u>141,968,235</u>	<u>100.0%</u>	<u>365,429,388</u>	<u>100.0%</u>	<u>622,691,458</u>	<u>100.0%</u>	<u>1,089,005,151</u>	<u>100.0%</u>	<u>328,508,626</u>	<u>100.0%</u>
2. Loans to Decree 207 Beneficiaries										
• Number of Loans	<u>15</u>		<u>24</u>		<u>44</u>		<u>5372</u>		<u>2671</u>	
% Production	100.0%		100.0%		93.7%		93.7%		99.9%	
% Investment	0.0%		0.0%		6.3%		6.3%		0.1%	
	100.0%		100.0%		100.0%		100.0%		100.0%	
• Amount Granted										
• Production (Amount & %)	5,535,894	100.0%	7,654,992	100.0%	11,159,801	86.0%	46,770,556	94.1%	19,989,145	96.2%
• Investment (Amount & %)	0	0	0	0	1,813,367	14.0%	2,954,017	5.9%	791,752	3.8
• Total Granted (Amount & %)	<u>5,535,894</u>	<u>100.0%</u>	<u>7,654,992</u>	<u>100.0%</u>	<u>12,973,168</u>	<u>100.0%</u>	<u>49,724,573</u>	<u>100.0%</u>	<u>20,780,897</u>	<u>100.0%</u>

*First Quarter Only

Source: Table XIV-BCR Statistics

TABLE 6

**INDICATORS OF RESULTS UNDER REDISCOUNT LINE 519-0307
FIRST QUARTER 1991
AND PROJECTED SECOND QUARTER 1991 CONSOLIDATED**

INDICADORES	Programado Trimestre (1)	Realizado (2)	Realizado Acumulado (3)	Programado Proximo Trimestre (4)
Exportacion no Tradicional		1,892.70	2,803.40	
Exportacion Tradicional		15,819.50	34,217.60	
Sustitucion de Importaciones		1,120.40	1,785.30	
Consumo		638.70	1,975.60	
3. Empleo Generado (miles Hombres / Dias)				
a. Inversion		544.30	1,388.80	
Exportacion no Tradicional		1.90	4.00	
Exportacion Tradicional		157.70	347.30	
Sustitucion de Importaciones		248.00	509.30	
Consumo		136.70	528.20	
b. Avio		3,032.20	5,827.40	
Exportacion no Tradicional		333.50	468.30	
Exportacion Tradicional		2,679.60	5,335.00	
Sustitucion de Importaciones		9.90	10.60	
Consumo		9.20	13.50	
c. total		3,576.50	7,216.20	
Exportacion no Tradicional		347.70	513.70	
Exportacion Tradicional		2,905.70	6,038.00	
Sustitucion de Importaciones		205.80	324.90	
Consumo		117.30	339.60	
4. Adiestramiento				
Cursos corto plazo				
-Numero	9	5	54	5
-Participantes	300	10	1,202	97
En el Exterior				
-Numero	0	1	12	0
-Participantes	0	2	99	0
Charlas y Seminarios				
-Numero	51	15	113	92
-Participantes	1,515	1,060	5,313	1,078
Programa de Maestria				
-Numero Participantes	0	0	0	0
5. Estudios de Politica Crediticia				
Numero de Estudios	0	0	0	0

Notas :

- 1) El numero de cooperativas acumulado (columna 3) es el numero neto de cooperativas ; no así el numero de cooperativas citado en las columnas (1) , (2) y (4) .
- 2) Todas las cantidades en Dolares en las columnas (1) , (2) y (4) , estan calculadas al tipo de cambio de 8.00 = 1.00 US\$.
- 3) Los montos desembolsados incluyen los correspondientes a creditos contratados en el trimestre y en periodos anteriores .
- 4) El valor de la produccion y Empleo generado citado en la columna (2) , se refieren al año agrícola 89/90
- 5) El valor de la produccion y empleo generado citados en la columna (3) , corresponde a los años del 87/88 al 89/90

- . The officers interviewed of the six banks stated that their loan repayment experience for short-term crop financing has been excellent. The interest repayment of longer-term loans has been good. However, most loans are still in their grace periods and principal payments have only just begun to mature. (See Table 7.)
- f. Bank loan records show that 50.4 percent of the number of short-term crop loans are to finance coffee production. By amount, 85.9 percent was for coffee. This high level of line usage for coffee production is due to the high level of comfort afforded the bank by a well established coffee export marketing system. All other crops represent 49.6 percent of the number of short-term loans granted and account for 14.1 percent of production loans. (See Table 8.)
- g. At the mid-term evaluation (Oct/Nov, 88), the credit delivery system was found to be cumbersome. Since that time we have noted that a number of improvements have been made:
 - (1) Loans up to \$2.0 million are presently approved at the PFI's level of authority without referral to the BCR; at the time of the mid-term evaluation, all loans had to be approved by the BCR.
 - (2) Loans over \$2.0 million are now approved and disbursed within two to three weeks.
 - (3) The collection of loans and loan follow-up continues to be satisfactory.

The USAID believes that the following key factors should be noted when considering the causes for the credit resources not being fully used: (1) The Agricultural Development Bank (BFA), that accounts for two-thirds of all reform cooperatives and the main supplier of credit to the Decree 207 beneficiaries did not participate during the first three and one half years of the project because they were not in compliance with obligations acquired under another A.I.D. project; 2) initial emphasis of the project was on financing investment projects and later on non-traditional export products that are more difficult to implement, requiring several years to acquire the necessary technical know how in production and to establish and consolidate the export market; and 3) although significant progress has been achieved in cooperative management, administrative weakness, including frequent changes in the coops' boards, continues to be the main obstacle for many coops to establish a permanent business relationship with the banking institutions.

TABLE 7
PERCENTAGE OF DELINQUENCY AND LOAN RECUPERATION - PFI'S LEVEL

AS OF 3/31/91
(000 Colones)

<u>Disbursed by Banks</u> (1)	<u>Repaid</u> (2)	<u>Delinquency</u> (3)	<u>Portfolio</u> (4)	<u>Percentage Delinquency</u> $\frac{(3)}{(1)+4}$	<u>Percentage Recuperation</u> $\frac{(6)}{(2)+4(2+3)}$
1. Production Loans 209.8	139.3	.7	70.5	1.0	99.5
2. Investment 74.5	32.7	.2	41.8	.6	99.3
3. Production and Investment 284.3	172.0	1.0	112.2	.9	99.4

Source: Tables X, XI, and IX - BCR Statistics

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29

Table 8. Purpose of Production Loans Granted to Phase I Cooperatives, Under Rediscount Line AID 519-0307 Cumulative as of 03/31/91

(Value in Colones)

	NO. LOAN		GRANTED		DISBURSED		REPAID		OUTSTANDING	
	NO.	%	¢	%	¢	%	¢	%	¢	%
A	199	50.4	198,449,251	85.9	179,733,437	88.1	116,419,136	90.9	63,314,301	83.5
B	6	1.5	2,648,679	1.1	1,655,859	0.8	1,630,857	1.3	25,001	0.0
C	2	0.5	1,221,105	0.5	966,949	0.5	966,949	0.8	0	0.0
D	15	3.8	2,800,153	1.2	2,464,696	1.2	2,254,318	1.8	210,378	0.3
E	5	1.3	532,610	0.2	362,795	0.2	176,039	0.1	186,755	0.2
F	41	10.4	3,392,463	1.5	2,589,297	1.3	556,512	0.4	2,032,785	2.7
G	10	2.5	500,400	0.2	450,190	0.2	170,854	0.1	279,336	0.4
H	1	0.3	9,880	0.0	9,880	0.0	9,880	0.0	0	0.0
I	32	8.1	6,678,097	2.9	4,557,875	2.2	2,390,080	1.9	2,167,794	2.9
J	1	0.3	6,884	0.0	4,719	0.0	4,719	0.0	0	0.0
K	7	1.8	595,246	0.3	371,154	0.2	162,028	0.1	209,126	0.3
L	10	2.5	1,744,017	0.8	1,634,847	0.8	645,000	0.5	989,847	1.3
M	13	3.3	2,323,649	1.0	2,093,143	1.0	999,550	0.8	1,093,593	1.4
N	17	4.3	1,474,542	0.6	1,112,723	0.5	343,681	0.3	769,042	1.0
O	5	1.3	1,574,928	0.7	1,001,447	0.5	221,082	0.2	780,365	1.0
P	7	1.8	478,456	0.2	173,347	0.1	17,640	0.0	155,706	0.2
Q	10	2.5	4,201,676	1.8	2,966,278	1.5	1,124,853	0.9	1,841,425	2.4
R	5	1.3	1,519,150	0.7	1,425,550	0.7	0	0.0	1,425,550	1.9
S	1	0.3	25,000	0.0	25,000	0.0	0	0.0	25,000	0.0
T	1	0.3	557,000	0.2	288,167	0.1	0	0.0	288,167	0.4
U	3	0.8	100,138	0.0	0	0.0	0	0.0	0	0.0
V	1	0.3	18,375	0.0	18,375	0.0	0	0.0	18,375	0.0
W	1	0.3	18,398	0.0	17,398	0.0	0	0.0	17,398	0.0
X	1	0.3	87,400	0.0	0	0.0	0	0.0	0	0.0
Y	1	0.3	63,750	0.0	0	0.0	0	0.0	0	0.0
	395	100	231,021,253	100	203,923,135	100	128,093,183	100	75,829,952	100

A= Coffe

D= Okra

G= Peanuts

J= Mango

M= Machinery & Eq.

P= Soybeans

S= Property Improv.

V= Pepino

Y= Beans

E= Henequén

E= Watermelon

H= Citrus

K= Coconut

N= Vigna

Q= Melon

T= Cocoa

W= Beehave

C= Kenaf

F= Sesame

I= Beef fattening

L= Working capital

O= Plantain

R= Corn Seed

U= Vegetables (tomato)

X= Rice

However, certain improvements are still required:

- (1) Loan packaging procedures need improvement; all credit needs are not considered at the time of loan packaging. UTFRA, credit agents, and ISTA technicians should analyze all Phase I cooperatives under their jurisdiction to determine their production and investment credit needs. They should also identify farming skills and the managerial areas that need improvement to determine the priority for the provision of T/A in both farm production techniques and managerial areas. The assessment should also establish the short-term production loan and investment credit limits of the cooperative. The T/A in the managerial areas should be specified and arrangements made with firms or individuals to provide the assistance.
 - (2) Effective loan promotion is lacking. This promotion should be accomplished while the analysis and assessment mentioned in (1) above takes place. The identification of credit needs and possibilities will provide the opportunity for selling potentially feasible investment projects, such as small irrigation or crop diversification, to the cooperative's officers.
 - (3) Technical assistance to improve farm production techniques of the borrower is not sufficient. New non-traditional projects for which financing has been approved must include a T/A component during implementation.
 - (4) Borrowers' management capabilities require considerable and continued strengthening. The technical assistance package prepared in (1) above will focus on the most critical management shortcomings.
- h. BFA, due to a lack of interest by the PFI's to expand their Reform Sector lending beyond present commitments, is now the largest provider of credit to the Reform Sector, after only nine months of participation in the program. (See Table 9.)
 - i. Loan repayment for short-term crop financing of the ARCs as of March 31, 1991 was 99 percent; for investment loans repayment was 99.3 percent (See Tables 10, 10a and 10b.)

2. Discussion

The findings indicate two principal tendencies: (1) PFI loan experience utilizing 0307 funds is excellent, but

TABLE 9. LOANS TO PHASE I COOPERATIVES AND 207 DECREE BENEFICIARIES BY BANK
(Value in Colones)

Bank	No. of Coop with Loans		No. of Loans with Coops		Amounts of Loans Granted to Cooperatives		No. of Loans to Decree 207 Beneficiaries		Amounts of Loans to Decree 207 Beneficiaries	
	No.	\$	No.	\$	¢	\$	No.	\$	¢	\$
Agricola Comercial	12	6.1	66	9.7	39,134,428.80	11.9	0	0.0	0.00	0.0
Capitalizador	13	6.7	103	15.1	31,637,128.76	9.6	1	0.0	32,300.00	0.2
Comercio	14	7.2	60	8.8	27,106,655.00	8.3	2	0.1	186,500.00	0.9
Credito	8	4.1	26	3.0	13,014,492.00	4.0	3	0.1	1,747,498.00	8.4
Cuscatlan	21	10.8	83	12.2	54,227,740.00	16.5	0	0.0	0.00	0.0
Hipotecario	20	10.3	69	10.1	43,488,053.66	13.2	0	0.0	0.00	0.0
Salvadoreño	15	7.7	78	11.4	70,594,003.96	21.5	7	0.3	4,593,017.00	22.1
Mercantil	10	5.1	39	5.7	12,727,365.30	3.9	4	0.1	234,700.00	1.1
Des. E Inversion	8	4.1	42	6.2	11,770,470.00	3.6	2	0.1	69,375.00	0.3
BFA	74	37.9	116	17.0	24,808,288.50	7.6	2,653	99.3	13,917,507.50	67.0
TOTAL	195	100.0	682	100.0	328,508,625.98	100.0	2,671	100.0	20,780,897.50	100.0

Source: Table XVII - BCR Statistics

TABLE 10
PERCENTAGE OF DELINQUENCY AND LOAN RECUPERATION OF PRODUCTION LOANS
BY BANK
UNDER REDISCOUNT LINE 519-0307
AS OF 03/31/91

(Value in Colones)

BANK (1)	DISBURSED (2)	REPAID (3)	DELINQUENCY (4)	PORTFOLIO (5)	PERCENTAGE DELINQUENCY (6) = (4) ÷ (5)	PERCENTAGE RECUPERATION (7) = (3) ÷ (3 + 4)
AGRICOLA COMERCIAL	23,699,057.21	20,825,603.41	0.00	2,873,453.80	0.00	100.00
CAPITALIZADOR	15,077,821.87	9,138,396.92	0.00	5,939,424.95	0.00	100.00
DE COMERCIO	16,063,405.35	10,664,424.86	349,311.60	5,398,980.49	6.47	96.83
DE CREDITO POPULAR	8,812,145.36	5,579,391.08	0.00	3,232,754.28	0.00	100.00
CUSCATLAN	40,192,840.15	28,309,560.87	0.00	11,883,279.28	0.00	100.00
HIPOTECARIO	23,834,257.83	16,875,746.15	15.38	6,958,511.68	0.00	100.00
SALVADOREÑO	46,427,380.41	27,407,540.60	240,783.69	19,019,839.81	1.27	99.13
FINANCIERO	0.00	0.00	0.00	0.00	0.00	0.00
MERCANTIL	6,766,436.71	2,894,280.59	137,800.00	3,872,156.12	3.56	95.46
DE DESARROLLO E INVERSION	6,755,020.63	6,364,230.74	0.00	390,789.89	0.00	100.00
BANCO DE FOMENTO AGROPECUARIO	22,172,303.04	11,272,887.76	0.00	10,899,415.28	0.00	100.00
TOTAL	209,800,668.56	139,332,062.98	727,910.67	70,468,605.58	1.03	99.48

Source: Table X - BCR Statistics

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TABLE 10a.
PERCENTAGE OF DELINQUENCY AND LOAN RECUPERATION OF INVESTMENT LOANS
BY BANK
UNDER REDISCOUNT LINE 519-0307
AS OF 03/31/91

(Value in Colones)

BANK (1)	DISBURSED (2)	REPAID (3)	DELINQUENCY (4)	PORTFOLIO (5)	PERCENTAGE DELINQUENCY (6) = (4) ÷ (5)	PERCENTAGE RECUPERATION (7) = (3) ÷ (3 + 4)
AGRICOLA COMERCIAL	7,169,543.04	2,124,796.94	90,404.82	5,044,746.10	1.79	95.92
CAPITALIZADOR	9,287,670.27	6,234,395.91	3,670.60	3,053,274.36	0.12	99.94
DE COMERCIO	6,012,608.02	855,783.29	143,738.69	5,156,824.73	2.79	85.62
DE CREDITO POPULAR	2,002,410.28	159,918.99	0.00	1,842,491.29	0.00	100.00
CUSCATLAN	10,478,146.51	6,975,449.50	0.00	3,502,697.01	0.00	100.00
HIPOTECARIO	5,485,102.30	2,763,017.07	0.00	2,722,085.23	0.00	100.00
SALVADOREÑO	19,358,762.32	8,380,081.42	1,095.25	10,978,680.90	0.01	99.99
FINANCIERO	0.00	0.00	0.00	0.00	0.00	0.00
MERCANTIL	3,365,309.58	3,121,739.42	0.00	243,570.16	0.00	100.00
DE DESARROLLO E INVERSION	3,594,836.97	1,926,431.08	0.00	1,668,405.89	0.00	100.00
DE FOMENTO AGROPECUARIO	7,742,481.21	174,110.70	0.00	7,568,370.51	0.00	100.00
TOTAL	74,496,870.50	32,715,724.32	238,909.36	41,781,146.18	0.57	99.28

Source: Table XI - BCR Statistics

44

TABLE 10b.
PERCENTAGE OF DELINQUENCY AND LOAN RECUPERATION OF PRODUCTION AND INVESTMENT LOANS
BY BANK
UNDER REDISCOUNT LINE AID 519-0307
AS OF 03/31/91

(Value in Colones)

BANK (1)	DISBURSED (2)	REPAID (3)	DELINQUENCY (4)	PORTFOLIO (5)	PERCENTAGE DELINQUENCY (6) = (4) ÷ (5)	PERCENTAGE RECUPERATION (7) = (3) ÷ (3 + 4)
AGRICOLA COMERCIAL	30,868,600.25	22,950,400.35	90,404.82	7,918,199.90	1.14	99.61
CAPITALIZADOR	24,365,492.14	15,372,792.83	3,670.60	8,992,699.31	0.04	99.98
DE COMERCIO	22,076,013.37	11,520,208.15	493,050.29	10,555,805.22	4.67	95.90
DE CREDITO POPULAR	10,814,555.64	5,739,310.07	0.00	5,075,245.57	0.00	100.00
CUSCATLAN	50,670,986.66	35,285,010.37	0.00	15,385,976.29	0.00	100.00
HIPOTECARIO	29,319,360.13	19,638,763.22	15.38	9,680,596.91	0.00	100.00
SALVADOREÑO	65,786,142.73	35,787,622.02	241,078.94	29,998,520.71	0.81	99.33
FINANCIERO	0.00	0.00	0.00	0.00	0.00	0.00
MERCANTIL	10,131,746.29	6,016,020.01	137,800.00	4,115,726.28	3.35	97.76
DE DESARROLLO E INVERSION	10,349,857.60	8,290,661.82	0.00	2,059,195.78	0.00	100.00
DE FOMENTO AGROPECUARIO	29,914,784.25	11,446,998.46	0.00	18,467,785.79	0.00	100.00
TOTAL	284,297,539.06	172,047,787.30	966,820.03	112,249,751.76	0.86	99.44

Source: Table IX - BCR Statistics

8

(2) there remains a reluctance on the part of the PFI's to participate in greater measure, especially in the making of investment loans. With few exceptions, in our visits to the PFI's, concern about the financial condition and management capability of Reform Sector cooperatives was indicated.

The excellent credit experience which the PFI's have enjoyed thus far is due in large part to the technical assistance of the UTFRA team, along with the supervision and involvement of the ASU staff. We believe that their continued participation is needed; however, its thrust should probably be redirected toward the BFA which needs assistance and is expected to play an expanded role in the future, if the project is extended.

It has become apparent (see h. above) that the BFA is the bank of last resort for the Reform Sector. However, we have been told that the BFA does not have a strong balance sheet and the quality of its management and internal operations leaves much to be desired. The past history of BFA's willingness to meet USAID requirements is a trail of broken resolutions. The question of extending Project 519-0307 forces the consideration of the BFA as the primary lender for the remainder of the unutilized funds since the PFI's who have intermediated the bulk of project funds thus far will probably not expand their commitments to the Reform Sector significantly. We even raise the possibility that the PFI's, once privatized, may reduce current exposures.

We have been told that USAID has transmitted a list of requirements to the BFA which must be fulfilled according to a schedule. While the completion of USAID's requirements will not solve BFA's problems, it will indicate a willingness on the part of the BFA to improve itself, and some institutional strengthening can then be achieved. However, AID does not appear to have much choice other than to work much more closely with the BFA if the extension of the Project requested by the BCR is approved. The only other alternative is to find some incentive which would cause the PFI's to enlarge their exposure to the Reform Sector such as increasing the loan percentage guaranteed by the loan guarantee fund, especially for investment loans, or some other measure.

3. Highlights of the Rediscount Line of Credit Reflected in UTFRA and ASU Progress Reports and Statistics

Performance of the 0307 Rediscount Line in the First Quarter of 1991

a. Loans Granted: Total, Term And Purpose

- As shown in Table 11, there was a total of 21 rediscounted loans made in the quarter for a total of \$9.2 MM (\$1.1 MM). (Note: Exchange rate used is

25
TABLE 11NEW REDISCOUNTED LOANS UNDER
REDISCOUNT LINE AID 519-0307
FROM 01/01/91 TO 03/31/91PAGINA : 1
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HORA : 09:21:49

(Value in Colones)

	PRODUCTION LOANS	INVESTMENT LOANS	TOTAL
PHASE I COOPERATIVES			
NUMBER OF COOPERATIVES RECEIVING LOANS	6	7	11
NUMBER OF LOANS GRANTED	10	10	20
AMOUNT GRANTED	5,967,012.00	3,144,617.00	9,111,629.00
AMOUNT DISBURSED *	1,495,046.62	1,977,055.00	3,472,101.62
AMOUNT REPAID	.00	.00	.00
NUMBER OF BANKS MAKING LOANS	3	3	5
DECREE 207 BENEFICIARIES			
NUMBER OF LOANS GRANTED	0	1	1
AMOUNT GRANTED	.00	53,000.00	53,000.00
AMOUNT DISBURSED *	.00	53,000.00	53,000.00
AMOUNT REPAID	.00	.00	.00
NUMBER OF BANKS MAKING LOANS	0	1	1
TOTAL			
NUMBER OF LOANS GRANTED	10	11	21
AMOUNT GRANTED	5,967,012.00	3,197,617.00	9,164,629.00
AMOUNT DISBURSED *	1,495,046.62	2,030,055.00	3,525,101.62
AMOUNT REPAID	.00	.00	.00
NUMBER OF BANKS MAKING LOANS	3	3	5
TOTAL AMOUNT DISBURSED			
PHASE I COOPERATIVES	9,842,228.29	4,345,558.37	14,187,786.66
DECREE 207 BENEFICIARIES	423,750.00	53,000.00	476,750.00
TOTAL	10,265,978.29	4,398,558.37	14,664,536.66

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

¢8.00 = \$1.00). This represents a record level for the first quarter over the life of the project. The amount exceeded the previous high (the first quarter of 1990) by over 27 percent.

- Of the 21 loans granted, 11 loans amounting to ¢3.2 MM (\$0.4 MM) were for investment purposes, which accounts for 52.4 percent and 35.2 percent of the total number and volume, respectively. The 10 crop loans were valued at ¢5.9 MM (\$0.7 MM) and accounted for 47.6 percent of loan numbers and 64.8 percent of total loan volume.
- Loans granted by purpose are shown in Table 12. For investment loans, 35.3 percent was coffee renovation, 28.3 percent was for agroindustry, 18.2 percent was for farm machinery and 18.2 percent was for infrastructure. Almost all of the production loans (91.1 percent) were coffee loans for Phase I cooperatives. Production loans for rice, beans, corn, vigna, and the fattening of beef accounted for the remaining production loans.

b. Bank Participation

Table 13 shows that there were five banks that granted new loans in the first quarter of 1991. Although the BFA did not dominate lending as it had during the previous quarter, it remained among the most active measured in number of terms of loans granted and amounts. The most active banks were the Banco Hipotecario (10 loans) and the BFA (7 loans).

c. Disbursements and Repayments

- Table 11 shows disbursement from the new loans made in the first quarter of 1991 were ¢3.5 MM (\$0.4 MM); no repayments were made on the new loans in the quarter.
- Table 14 shows total disbursements during the quarter that includes loans granted in previous quarters were ¢14.7 MM (\$1.8 MM). There were repayments of ¢18.2 MM (\$2.3 MM). Repayments are high from March to June when production loans come due.

d. Portfolio: As of March 31, 1991

Table 14 presents data on the portfolio. As of March 31, 1991, the total portfolio was ¢151.0 MM. A total of 195 Phase I cooperatives had 682 outstanding loans with balance of ¢134.7 MM (\$22.6 MM). There were 2,671 outstanding loans to Decree 207 beneficiaries with an

(Value in Colones)

PURPOSE	No. OF LOANS	PERCENT	AMOUNT GRANTED	PERCENT
INVESTMENT LOANS	11	100.0	3,197,617.00	100.0
PHASE I				
MACHINERY AND EQUIPMENT	3	27.3	581,240.00	18.2
Purchase of new machinery and Repair of existing machinery				
INFRASTRUCTURE	2	18.2	581,100.00	18.2
LIVESTOCK	0	0.0	0.00	0.0
Dual purpose (cattle)	0		0.00	
CROPS	2	18.2	1,075,756.00	33.6
New coffee plantations	0		0.00	
Renovation of coffee plantations	2		1,075,756.00	
Menequen	0		0.00	
Cashue	0		0.00	
AGROINDUSTRY	3	27.3	906,521.00	28.3
Coffee processing	3		906,521.00	
PHASE III	1	9.1	53,000.00	1.7
Renovation of coffee plantations	1		53,000.00	
PRODUCTION LOANS	10	100.0	5,967,012.00	100.0
PHASE I	10	100.0	5,967,012.00	100.0
NON TRADITIONAL	1	10.0	49,600.00	0.8
Sesame	0		0.00	
Vigna	1		49,600.00	
Melon	0		0.00	
Menequen	0		0.00	
Okra	0		0.00	
Peanut	0		0.00	
Coconut	0		0.00	
Pepino	0		0.00	
Honey	0		0.00	
Watermelon	0		0.00	
IMPORT SUBSTITUTION	0	0.0	0.00	0.0
Plantain	0		0.00	
Cocoa	0		0.00	
Soybean	0		0.00	
Vegetables (tomatoe)	0		0.00	
LOCAL CONSUMPTION	1	10.0	236,000.00	4.0
Beef Fattening	1		236,000.00	
TRADITIONAL FOR EXPORT	5	50.0	5,436,662.00	91.1
Coffee	5		5,436,662.00	
OTHER	3	30.0	244,750.00	4.1
Working Capital	0		0.00	
Machinery and Equipment	0		0.00	
Rice	1		87,400.00	
Beans	1		63,750.00	
Corn	1		93,600.00	
PHASE III	0	0.0	0.00	0.0
Corn			0.00	
Beans			0.00	
Rice			0.00	
Sorghum			0.00	
Melon			0.00	

Source: Table III - BCR Statistics

4/6

TABLE 13

NEW REDISCOUNTED LOANS BY BANKS
 UNDER REDISCOUNT LINE AID 519-0307
 FROM 01/01/91 TO 03/31/91

PROGRAMA : ING620

PAGINA : 1
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(Value in Colones)

	INVESTMENT LOANS		PRODUCTIONS LOANS		TOTAL	
	NUMBER	AMOUNT GRANTED	NUMBER	AMOUNT GRANTED	NUMBER	AMOUNT GRANTED
PHASE I COOPERATIVES						
BANCO AGRICOLA			2	2,736,000.00	2	2,736,000.00
BANCO DE COMERCIO	1	126,240.00			1	126,240.00
BANCO HIPOTECARIO	3	1,167,562.00	7	2,793,012.00	10	3,960,574.00
BANCO DE DESARROLLO			1	438,000.00	1	438,000.00
BANCO DE FOMENTO	6	1,850,815.00			6	1,850,815.00
TOTAL	10	3,144,617.00	10	5,967,012.00	20	9,111,629.00
DECREE 207 BENEFICIARIES						
BANCO DE FOMENTO	1	53,000.00			1	53,000.00
TOTAL	11	3,197,617.00	10	5,967,012.00	21	9,164,629.00

Source: Table IV - BCR Statistics

TABLE 14

PROGRAMA : ING650

CUMULATIVE NUMBER AND AMOUNT OF LOANS REDISCOUNTED BY
EL SALVADORAN CENTRAL RESERVE BANK
UNDER REDISCOUNT LINE AID 519-0307 AT END OF QUARTER

PAGINA : 4
FECHA : 08/04/91
HORA : 09:50:26

(Value in Colones)

AÑO : 1990

QUARTER	I	II	III	IV
PHASE I COOPERATIVES				
NUMBER COOPS. WITH LOANS	113	119	178	196
NUMBER OF LOANS	362	476	628	662
AMOUNT GRANTED	191,376,672.67	269,278,005.43	308,955,476.68	319,396,996.98
AMOUNT DISBURSED	170,217,640.60	187,165,422.44	211,468,827.40	269,140,254.89
AMOUNT REPAID	73,735,052.32	126,372,342.01	128,445,013.13	130,589,864.18
OUTSTANDING BALANCE	96,482,588.28	62,793,080.43	83,023,816.27	138,450,390.71
DECREE 207 BENEFICIARIES				
NUMBER OF BENEFICIARIES	651	651	3,661	3,661
NUMBER OF LOANS	16	16	2,670	2,670
AMOUNT GRANTED	4,981,890.00	4,981,890.00	19,032,897.50	20,727,897.50
AMOUNT DISBURSED	4,071,148.25	4,205,548.25	18,070,055.71	19,527,805.71
AMOUNT REPAID	1,281,531.25	3,542,281.25	3,542,281.25	3,542,281.25
OUTSTANDING BALANCE	2,789,617.00	663,267.00	16,527,774.46	15,985,524.46
TOTAL				
NUMBER OF LOANS	378	490	3,298	3,332
AMOUNT GRANTED	196,356,562.67	274,259,895.43	327,988,376.18	340,124,894.48
AMOUNT DISBURSED	174,288,788.85	191,370,970.69	229,538,883.11	288,668,060.60
AMOUNT REPAID	73,016,583.57	127,914,623.24	131,987,294.38	136,232,145.43
OUTSTANDING BALANCE	99,272,205.28	63,456,347.43	97,551,588.73	156,435,915.17

Source: Table XII - BCR Statistics

4A

TABLE 14 (Cont'd.)

PROGRAMA : ING650

CUMULATIVE NUMBER AND AMOUNT OF LOANS REDISCOUNTED BY
EL SALVADORAN CENTRAL RESERVE BANK
UNDER REDISCOUNT LINE AID 519-0307 AT END OF QUARTER

PAGINA : 5
FECHA : 03/04/91
MCRA : 09:50:24

(Value in Colones)

AÑO : 1991

QUARTERIPHASE I COOPERATIVES

NUMBER COOP'S. WITH LOANS	195
NUMBER OF LOANS	682
AMOUNT GRANTED	328,508,625.98
AMOUNT DISBURSED	283,328,041.55
AMOUNT REPAID	148,609,656.85
OUTSTANDING BALANCE	134,718,384.70

DECREE 207 BENEFICIARIES

NUMBER OF BENEFICIARIES	3,679
NUMBER OF LOANS	2,671
AMOUNT GRANTED	20,780,897.50
AMOUNT DISBURSED	20,004,555.71
AMOUNT REPAID	3,745,581.25
OUTSTANDING BALANCE	16,258,974.46

TOTAL

NUMBER OF LOANS	3,353
AMOUNT GRANTED	349,289,523.48
AMOUNT DISBURSED	303,332,597.26
AMOUNT REPAID	152,355,238.10
OUTSTANDING BAL.	150,977,359.16

49'

outstanding balance of ₡16.3 MM (\$2.1 MM), equalling 11 percent of the total outstanding balance for the reform sector. The portfolio understates considerably the current level of activity for Phase I cooperatives, because most loans contracted having the first quarter of 1991 have not yet been disbursed.

Progress in Meeting Goals For 1991

As shown in Table 15, the annual crop and investment goals were ₡180.1 MM and ₡39.6 MM, respectively. Lending activity follows a cyclical pattern: it is lowest during the first and fourth quarters. Therefore, UTFRA establishes quarterly goals. No quarterly goals are established for production loans because they exhibit greater quarterly fluctuations and, as a result, are less susceptible to quarterly programming. The ₡3.2 MM in investment loans contracted during the quarter (Table 15) represented 50.8 percent of UTFRA's first quarter investment goals of ₡6.3 MM. Although the goal was not met, there were another 34 projects amounting to ₡10.7 million approved by banks (Table 16) pending to be submitted to BCR.

Status of Loans Between Banks and Borrowers As of March 31, 1991

Table 10b presents data of the delinquency status by participating bank. Of the total outstanding portfolio, only 1.0 percent was delinquent and this is concentrated in two banks. The percent recovered of the cumulative amount due is an excellent measure of delinquency. The level of recuperation across all banks is 99 percent of the amount due. As shown in Table 10, delinquency and recuperation rates for crop loans are 1.0 percent and 99.0 percent, respectively. Figures for investment loans are also excellent, as shown in Table 10a.

Historical Trends

a. Loan Numbers and Amounts

Table 14 and Figure I summarize the cumulative trends in 0307 Project rediscounts over the life of the project. At March 31, 1991, the Project has rediscounted a cumulative total of ₡349.3 MM (investment ₡98.3 MM, production ₡251.0 MM as shown in Table 17). Over the life of the Project, a total of 195 different cooperatives had received a total of 682 loans in the amount of ₡328.5 MM (\$54.4 MM) as shown in Table 14. (The dollar amounts are figured using the mean of official exchange rate for each quarter).

The quarterly trend in lending is provided in Table 17 and Figure 2. The data shows a definite cyclical trend in the amounts of loans contracted per quarter. In the

Tablevi.ukq

TABLE 15

UTFRA GOALS FOR CONTRACTING ANNUAL PRODUCTION AND
INVESTMENT CREDITS DURING 1991

RESULTS AS OF MARCH 31, 1991 BY BANK

($\times 1,000$)

BANK	ANNUAL PRODUCTION LOANS				INVESTMENT LOANS			
	ANNUAL PROGRAMMED		CONTRACTED		ANNUAL PROGRAMMED		CONTRACTED	
	NO.	€	NO.	€	NO.	€	NO.	€
AGRICOLA COMERCIAL	26	24,251.9	2	2,736.0	11	3,534.8	0	0.0
CAPITALIZADOR	0	0.0	0	0.0	0	0.0	0	0.0
COMERCIO	23	10,178.3	0	0.0	4	1,551.9	1	126.2
CREDITO POPULAR	0	0.0	0	0.0	0	0.0	0	0.0
CUSCATLAN	34	26,374.4	0	0.0	7	3,780.0	0	0.0
HIPOTECARIO	26	22,792.3	7	2,793.0	11	2,978.1	3	1,167.6
SALVADOREÑO	39	23,853.3	0	0.0	4	1,310.4	0	0.0
FINANCIERO	0	0.0	0	0.0	0	0.0	0	0.0
MERCANTIL	0	0.0	0	0.0	0	0.0	0	0.0
DESARROLLO	11	4,057.1	1	438.0	2	402.5	0	0.0
DE FOMENTO AGROPECUARIO	414	68,591.1	0	0.0	160	26,076.9	7	1,903.8
TOTAL	573	180,098.4	10	5,967.0	199	39,634.6	11	3,197.6

13/04/91

Source: Table VI - BCR Statistics

51

TABLE 16

STATUS OF INVESTMENT PROJECTS ALREADY FORMULATED
DURING 1990

AS OF MARCH 31, 1991 BY BANK

(c1,000)

BANK	1°		2°		3°		4°		5°		6°		7°	
	UNDER REVIEW BY UTFRA		RETURNED TO BANKS FOR CORRECTION		IN PROCESS OF APPROVAL BY BANKS		APPROVED BY BANKS		PROJECTS TURNED DOWN		CONTRACTED WITH BCR		TOTAL	
	NO.	c	NO.	c	NO.	c	NO.	c	NO.	c	NO.	c	NO.	c
AGRICOLA COMERCIAL	0	0.0	1	316.6	0	0.0	0	0.0	0	0.0	0	0.0	1	316.6
CAPITALIZADOR	0	0.0	0	0.0	0	0.0	0	0.0	0	0.0	0	0.0	0	0.0
COMERCIO	0	0.0	0	0.0	0	0.0	0	0.0	0	0.0	1	126.2	1	126.2
CREDITO POPULAR	0	0.0	0	0.0	0	0.0	0	0.0	0	0.0	0	0.0	0	0.0
CUSCATLAN	0	0.0	0	0.0	2	650.0	3	2,301.8	0	0.0	0	0.0	5	2,951.8
HIPOTECARIO	0	0.0	0	0.0	3	575.0	0	0.0	0	0.0	3	1,167.6	6	1,742.6
SALVADOREÑO	0	0.0	0	0.0	0	0.0	0	0.0	0	0.0	0	0.0	0	0.0
FINANCIERO	0	0.0	0	0.0	0	0.0	0	0.0	0	0.0	0	0.0	0	0.0
MERCANTIL	0	0.0	0	0.0	0	0.0	0	0.0	0	0.0	0	0.0	0	0.0
DESARROLLO	0	0.0	0	0.0	0	0.0	0	0.0	0	0.0	0	0.0	0	0.0
FOMENTO AGROPECUARIO	0	0.0	1	500.0	5	860.0	31	8,384.0	0	0.0	7	1,903.8	46	11,647.8
TOTAL	0	0.0	2	816.6	10	2,085.0	34	10,685.8	0	0.0	11	3,197.6	57	16,785.1

Source: Table VIII - BCR Statistics

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Figure 1

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

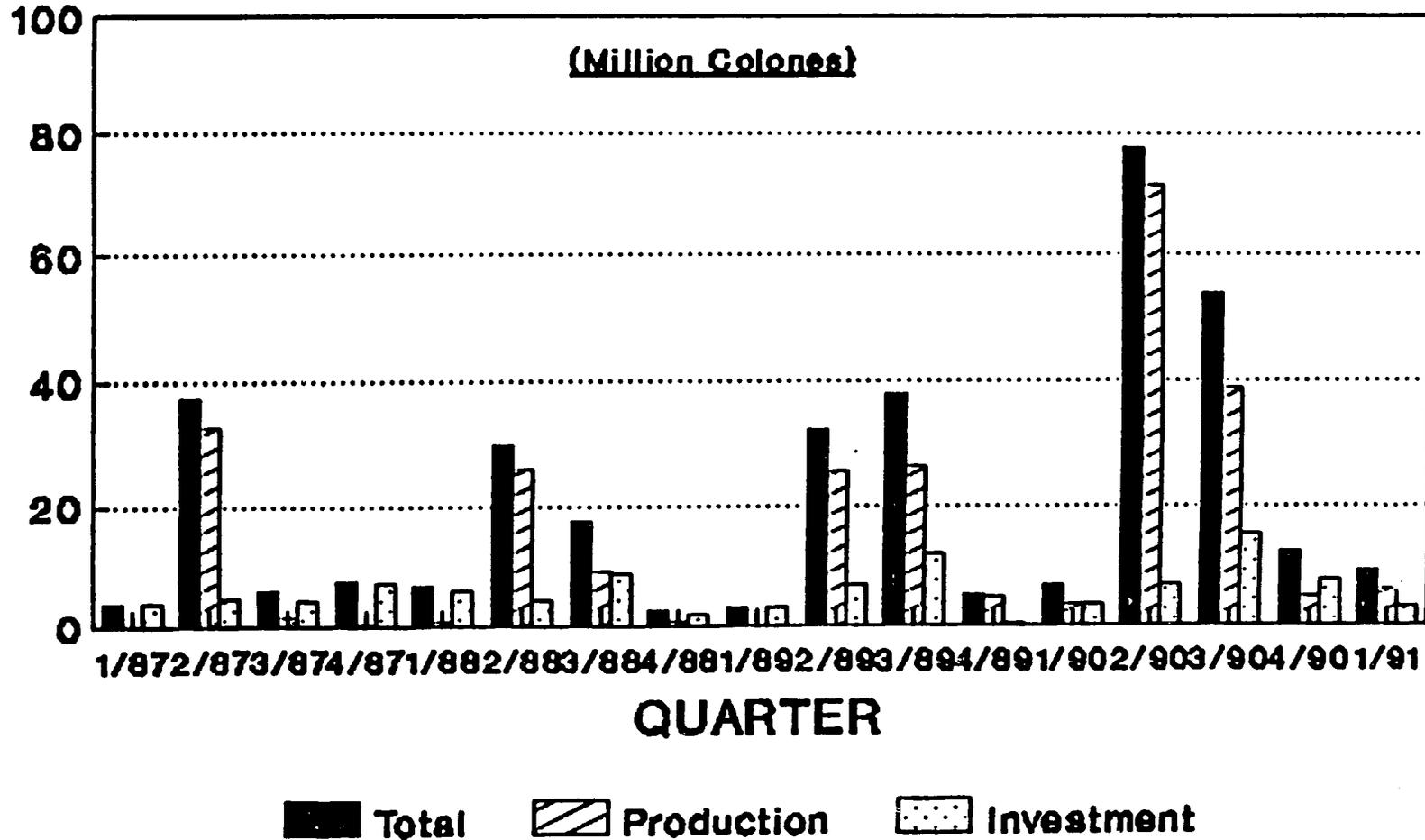


TABLE 17

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

QUARTER	AMOUNT GRANTED					AMOUNT DISBURSED				
	COLONES (C)			%		COLONES (C)			%	
	TOTAL	PRODUCTION	INVESTMENT	PRODUCT.	INV.	TOTAL	PRODUCTION	INVESTMENT	PRODUCT.	INV.
JAN-MAR/87	4,010,207.00	0.00	4,010,207.00	0.0	100.0	101,297.00	0.00	101,297.00	0.0	100.0
APR-JUN/87	37,464,375.20	32,710,320.20	4,754,055.00	87.3	12.7	9,622,114.95	6,090,201.45	2,731,913.50	71.6	28.4
JUL-SEP/87	5,732,125.00	1,590,000.00	4,133,325.00	27.9	72.1	10,681,623.02	6,522,947.44	4,158,676.30	61.1	38.9
OCT-DEC/87	7,405,924.46	400,000.00	7,205,924.46	5.3	94.7	22,666,050.55	17,475,611.16	5,191,239.41	77.1	22.9
JAN-MAR/88	6,560,069.53	600,100.00	5,951,969.53	9.3	90.7	4,859,502.49	945,960.57	3,913,613.92	19.5	80.5
APR-JUN/88	29,000,304.00	25,655,036.00	4,224,468.00	85.9	14.1	12,619,937.44	6,693,552.52	5,926,385.12	53.0	47.0
JUL-SEP/88	17,627,532.00	8,905,234.00	8,642,298.00	51.0	49.0	19,952,265.96	12,075,090.25	7,877,167.71	60.5	39.5
OCT-DEC/88	2,697,596.00	707,453.00	1,910,143.00	29.2	70.8	16,929,040.04	13,690,702.56	3,238,337.48	80.9	19.1
JAN-MAR/89	3,144,118.00	0.00	3,144,118.00	0.0	100.0	2,170,019.07	71,156.16	2,098,862.91	3.3	96.7
APR-JUN/89	31,917,054.00	25,402,751.00	6,434,303.00	79.8	20.2	10,067,255.16	4,067,733.02	6,019,522.14	44.6	55.4
JUL-SEP/89	37,996,227.60	26,302,116.93	11,694,110.75	69.2	30.8	23,505,335.67	14,661,600.36	8,843,727.33	62.4	37.6
OCT-DEC/89	5,032,002.00	4,810,002.00	222,000.00	95.6	4.4	20,553,003.36	18,339,760.40	2,214,116.96	89.2	10.8
JAN-MAR/90	6,609,027.00	3,357,427.00	3,331,600.00	50.2	49.8	19,759,503.14	16,154,610.99	3,604,964.15	81.8	18.2
APR-JUN/90	77,903,332.76	71,193,305.26	6,710,027.50	91.4	8.6	17,002,101.04	13,061,409.29	4,040,692.55	76.3	23.7
JUL-SEP/90	53,720,470.75	30,541,753.00	15,106,725.75	71.7	28.3	30,167,912.42	33,454,562.64	4,713,369.70	87.7	12.3
OCT-DEC/90	12,136,520.30	4,609,222.30	7,527,298.00	38.0	62.0	59,129,177.40	48,004,096.96	11,124,200.52	81.2	18.8
JAN-MAR/91	9,144,629.00	5,967,012.00	3,197,617.00	65.1	34.9	14,664,536.66	10,265,970.29	4,398,558.37	70.0	30.0
*TOTAL	340.3	251.0	98.3	71.9	28.1	303.3	223.1	80.2	73.6	25.4

*Row added by the Evaluation Team.

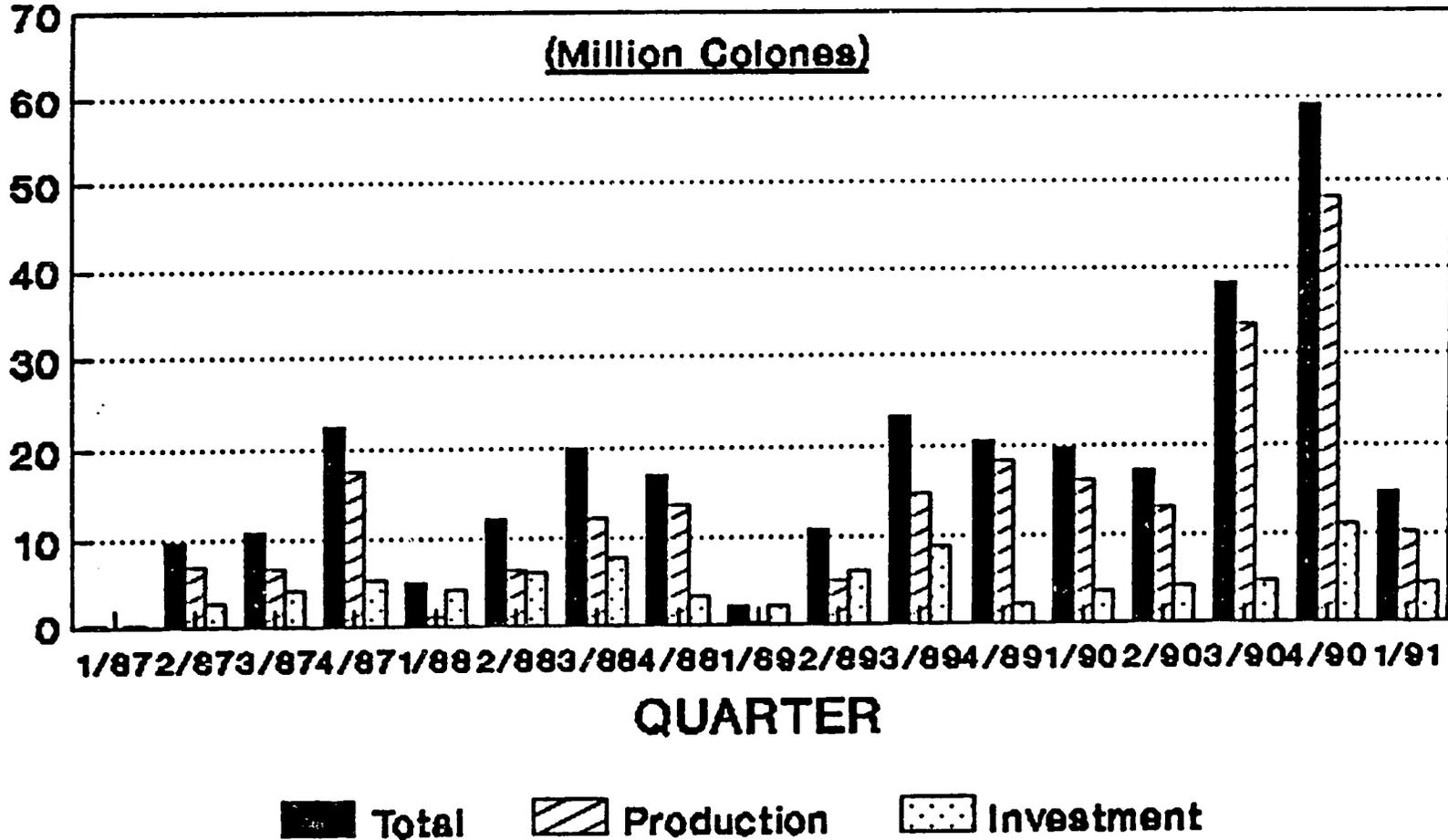
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Source: Table XIII - BCR Statistics

35

Figure 2

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



69

second quarter of each year the amount of crop loans rises sharply because this is the period when most coffee production loans are made. Some of this activity is carried into the third quarter. The first and fourth quarter have the least activity each year, because these are quarters during which there is less lending for crop purposes.

b. Disbursements and Repayments

Table 14 shows the cumulative disbursements totaled ₡303.3 MM (investment ₡80.2 MM, production ₡223.1 MM) (\$48.2 MM per Table 17). Repayments were ₡152.4 MM (\$23.5 MM) leaving an outstanding balance of ₡151.0 MM (\$24.8 MM) at the end of March 1991. The quarterly data in Table 17 and Figure 2 show larger figures for the third and fourth quarters of 1990 reflecting in part the incorporation of the BFA into the Project.

c. Distribution Of Rediscounts By Term And Purpose

Table 18 presents the cumulative distribution of loans by production (short-term) and investment (intermediate and long-term) and purpose. At the end of the first quarter of 1991 only two of the 2,671 loans to Decree 207 beneficiaries were for investment, one of which was made during this quarter. Among the Phase I cooperatives, 42.1 percent of the 682 loans and 29.7 percent of the amount granted of loans were for investment. The larger percentage for loan numbers relative to the percentage of amounts granted, demonstrates that many of the investment loans are relatively small compared to the crop loans. The quarterly data of Table 18 and Figure 1 show that annual production loans continues to dominate lending. Hence, lending for investment loans is increasing in absolute terms, although it did so slowly during the first quarter of 1991.

Table 4a shows the cumulative distribution of investment lending by purpose. About one-fourth (24.5 percent) of the rediscounts have been to finance machinery and equipment; crop plantations have received close to one-half (47.4 percent), mainly for establishing new or renovating old coffee plantations (40 percent). Another 13.9 percent of the investment credits have gone to livestock activities, mostly dual-purpose cattle; some 10.2 percent to finance agroindustry coffee processing mills, and another 4.0 percent was directed to infrastructure.

As shown in Table 8, 50.4 percent of number of loans and 85.9 percent of volume of annual production loans made to the Phase I cooperatives were for coffee. Two-thirds (67 percent) of crop loans made to Decree 207 beneficiaries

TABLE 18

PROGRAMA : ING660

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

PAGINA : 5
FECHA : 08/04/91
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(Value in Colones)

YEAR : 1991

 QUARTER

1

 LOANS TO COOPERATIVES

NUMBER OF LOANS	682
% PRODUCTION	57.92
% INVESTMENT	42.08
AMOUNT GRANTED	328,508,625.98
% PRODUCTION	70.32
% INVESTMENT	29.68

 LOANS TO DECREE 207 BENEFICIARIES

NUMBER OF LOANS	2,671
% PRODUCTION	99.89
% INVESTMENT	.11
AMOUNT GRANTED	20,780,897.50
% PRODUCTION	96.19
% INVESTMENT	3.81

 Source: Table XIV - BCR Statistics

57

were for corn, as shown in Table 19. Another 16.4 percent was to rice and beans, 16.4 percent was for sorghum, and small amounts for corn seed, melon, beef fattening, and coffee.

d. Distribution Across Participating Banks

Table 9 presents the cumulative distribution of loans to Phase I cooperatives and Decree 207 beneficiaries among banks. Among cooperatives, these are two banks that dominate: Banco Salvadoreño and Banco Cuscatlan. These banks had 21.5 percent and 16.5 percent of the loan volume contracted to cooperatives, . In terms of numbers of loans to cooperatives, the proportions were 11.4 percent, 12.2 percent, respectively.

The lower relative importance for number of loans indicates that the average size loan from these banks is larger than that for the other banks. Banco Hipotecario, Agrícola Comercial and Capitalizador accounted for 13.2 percent, 11.9 percent and 9.6 percent, of the total cooperative portfolio. Three banks had very low levels of participation.

Lending to Decree 207 beneficiaries is dominated by the BFA, accounting for 67 percent of the loan volume, followed by Banco Salvadorio with 22.1 percent and Credito Popular with 8.4 percent. BFA also accounted for 99.3 percent of the total number of loans. Although the dominance of the BFA in lending to 207 beneficiaries is not surprising, the existence of lending by other PFIs (accounting for up to 30.4 percent of loans to 207 beneficiaries) may seem unusual. The 22.1 percent accounted for by the Banco Salvadoreño consists of loans to Phase I cooperatives.

4. Conclusions

1. The total loan volume of the PFI's has been increasing satisfactorily for short-term crop financing. Longer-term investment financing has not increased as rapidly as desired, although the loan guarantee program now available should accelerate loan disbursements in this category. Given the yearly increases in project fund utilization and the implementation of the guarantee facility, a two-year extension of the project should see full utilization of project funds.
2. The PFI's will not participate more actively in longer-term financing until the ARC's financial and administrative capabilities improve substantially.
3. An increase in the spreads for longer-term financing (spread sensitivity) will not have any appreciable affect

TABLE 19

PURPOSE OF PRODUCTION LOANS GRANTED TO DECREE 207
BENEFICIARIES, UNDER REDISCOUNT LINE AID 519-0307

CUMULATIVE AS OF 03/31/91

(Value in Colones)

PURPOSE	NUMBER OF LOANS	GRANTED		DISBURSED		REPAID		OUTSTANDING	
		€	%	€	%	€	%	€	%
COFFEE	1	32,300.00	0.2	26,000.00	0.1	26,000.00	0.7	0.00	0.0
RICE	85	1,701,990.00	8.5	1,701,990.00	8.9	116,400.00	3.2	1,585,590.00	10.2
BEANS	353	1,781,030.00	8.9	1,672,630.00	8.7	0.00	0.0	1,672,630.00	10.7
BEEF FATTENING	1	994,800.00	5.0	994,800.00	5.2	994,800.00	27.2	0.00	0.0
MELON	5	3,854,200.00	19.3	3,854,200.00	20.1	2,159,200.00	59.1	1,695,000.00	10.9
CORN SEED	8	1,018,473.00	5.1	336,831.25	1.9	336,831.25	9.8	0.00	0.0
SORGUN	438	1,434,830.00	7.2	1,434,830.00	7.5	0.00	0.0	1,434,830.00	9.2
CORN	1778	9,171,457.50	45.9	9,171,457.46	47.7	0.00	0.0	9,171,457.46	58.9
TOTAL	2,669	19,989,080.50	100.0	19,212,738.71	100.0	3,653,231.25	100.0	15,559,507.46	100.0

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Source: Table XVIII - BCR Statistics

59

on the PFI's management as an inducement to increase their longer-term portfolio of ARC loans. However, an increase sufficient to absorb the cost of the BCR loan guarantee fee might help.

4. The BCR streamlining of the approval process has been very beneficial to the operating efficiency of the PFIs. The reduced approval time for both short- and long-term loan financing has increased profitability of the PFI's and accelerated utilization of the rediscount facility.
5. The monitoring and credit controls of the outstanding lines of credit remain effective resulting in good loan supervision.
6. Loan proceeds are disbursed in an orderly fashion and monitored throughout the crop growing cycle. This supervision assures that crop sales proceeds are applied to repay outstanding loans in a consistent manner.
7. The use of credit agents in the PFI's has achieved the desired results to improve the banks' loan administration.
8. The PFI's are doing a satisfactory job in serving the short-term credit needs of the ARCs.
9. The capacity of the PFI's to finance large projects is limited.
10. The increased lending authority of the PFI's has had a beneficial effect on project fund utilization.

If the Project is to be extended, BFA will become a key participant in the Project. However, we have been told that BFA might well require assistance if it is to expand its operations appreciably. BFA can benefit from both long-term and occasional technical assistance to improve its institutional capabilities, and provision for providing it should be included in the amended Project plans. The UTFRA team will be helpful in assisting the BFA to improve the quality of their lending decisions and agricultural project designs. If the BFA fulfills its commitment to AID in accordance with the April 27 PIL, working with the BFA more closely is worthy of consideration.

5. Recommendations

1. PFI's should be permitted to finance technical assistance to ARC's as part of investment project loan. PFI's can then require ARC's to use technical assistance to improve their management as part of the terms of acquiring the loan utilizing the capitalized interest in the BCR or counterpart funds.

2. BCR should continue on a periodic basis to evaluate the need to increase the approval limits of the PFI's.
3. The Loan Guarantee Fund should be continued, but due to its low usage, an assessment and redesign should be undertaken to make it more acceptable to both PFI's and ARC's. (It should be noted, however, that this Fund was not a part of the Agrarian Reform Financing Project.)
4. We recommend the extension of The Agrarian Reform Financing Project AID 519-0307 for another two years, based on the following:
 - a. The well-being of Reform Sector beneficiaries will be enhanced to the extent that Project funds are utilized, and only additional time is required to employ the remaining amount. Procedures have been refined and are in place, and the pace of approval and disbursement has been accelerating.
 - b. The recommendation for the extension of the Project includes the following additional recommendations:
 - (i) Streamline the credit delivery system to permit better loan packaging which includes the credit needs for crop, investment, and working capital showing the feasibility and viability of the Project to the extent permitted by law. The use of the line of credit mechanism should be considered; that is, the credit limits for each cooperative should be established which includes all credit needs and longer amortization periods for some loans depending upon the purpose. Periodically, the credit limit of the cooperative must be re-evaluated, and necessary adjustments introduced (e.g., increase credit limit, modify amortization schedule, and adjust collateral based on review of the collateral adequacy). Training and technical assistance should form a part of the credit package to strengthen ARCs' managerial and farming capabilities. This assistance should be the result of an evaluation of the cooperative at the time that the credit package for each cooperative is designed. (See Annex 13 - Approach for Training Phase I Cooperatives.)
 - (ii) The provision of long and short-term technical assistance to the BFA through the present contract, and through the continuation of the UTFRA program should be redirected to support BFA and its Reform Sector customer base.
 - (iii) Should BFA satisfy USAID's requirements, we would recommend consideration of an amendment to Project

519-0307 which would permit the BFA to use Project funds under the rediscount line of credit to service its traditional small and medium farmer and cooperative client base in addition to Reform Sector beneficiaries.

- (iv) USAID should consider changing the norms of the rediscount facility to permit the reimbursement of the facility with grant funds to allow the BCR to build up their rediscount line with reflows in future years so that the grant funds definitely can be fully utilized within the next two years.
- 5. The Loan Guarantee Fund should be amended in such a way as to satisfy lenders and increase their willingness to finance non-traditional export investment projects. This might include an increase in the percentage of a loan for this purpose which is covered by the guarantee, an improvement in the spread to compensate for the BCR guarantee fee, or both.
- 6. The BFA must continue to implement programs of cost reduction, portfolio clean-up, and the rationalization of their organization as required by USAID and as indicated by studies which are, or will shortly be, underway in order to improve their operating efficiency, balance sheet, and prospects for long-term institutional sustainability.

B. TRAINING

The project-related training component is of the utmost importance for the successful completion of the project. It calls for the provision of training for credit agents, bank personnel, and borrowers in areas that will enhance the implementation of the project. In- and out-of-country training activities for the remaining life-of-the-project will continue under this component. The master's degree program will terminate in May or June when the remaining two participants conclude their studies. ASU has fulfilled its obligations with the ABANSA training center with the exception of the purchase of some small items which will be completed shortly. The research, policy studies, and seminar project has fulfilled its mission with research documents completed and awaiting dissemination.

1. Short-term In-Country Training, Talks and Seminars

Fifty-four short-term training courses have been offered at various in-country training sites to a total of 1,202 bank technicians, members of cooperatives, and other participants (See Table 6.)

In the second year of project implementation there were indications that training was urgently needed to improve the management procedures of cooperatives. To meet these needs, short-term training activities through March 31, 1991 were undertaken for 6,614 participants who were mostly members of cooperatives. (See Table 6.)

When the training for cooperatives was intensified, a different mode of instruction was devised. Approximately 113 talks and seminars were offered to a total of 5,313 participants of which a majority were members of cooperatives. These talks and seminars have been very popular with members of cooperatives. (See Table 6.)

2. Findings

- a. There are more than a dozen training agencies providing services for this Project.
- b. A training needs assessment as the basis for planning and formulation of a training plan was not anticipated in this Project.
- c. Training activities are planned around the investment decisions made by the banks.
- d. Dependency on other agencies for training services requires strong supervision by the coordinator of training (UTFRA) or training agencies.

Some efforts have been made by the UTFRA training office to evaluate each training activity. The evaluation form used attempts to assess course content, the practicability of themes chosen for discussion, clarity of theme development, motivation of students, dominance of subject matter by professors, student participation, use of visual aids and teaching competency. The completed evaluation forms are stored in the UTFRA coordinator's office awaiting compilation, analysis and interpretation. Hence, the training program has lost participant input which might have resulted in program improvement.

- e. No follow-up is made of participants upon termination of training activities.
- f. Participants interviewed felt that interest was high when courses focused on new and modern techniques of crop production.
- g. Most of the participants valued the opportunity to attend a training activity and felt that it had assisted them to gain confidence as well as improve their performance on the job. Credit agents stated that they gained a great

deal of knowledge about non-traditional crops and machinery maintenance.

3. Short-Term Out-of-Country Training

Short-term out-of-country training was to be used for a wide range of content areas which might not be available in the country. There were a total of 12 out-of-country training activities during the life of the project. Ninety-nine bank technicians, members from cooperatives, and additional persons were selected to participate in these activities. This represents a participation rate of three times as many as targeted at the onset of the project (See Table 6.)

4. Findings

One of the out-of-country training sites was Honduras where participants observed marine shrimp production projects. Costa Rica hosted groups or individuals some six times in short- or long-term seminars on coffee production as well as industrial and agricultural management. The Dominican Republic hosted individuals in one seminar on the administration of training programs. One seminar on agricultural credit was held in the United States. Three participants received training in a development bank in Brazil.

Out-of-country training was considered an integral part of the overall program. Yet no specific goals, expectations, or results were established for this type of training. No specific tasks were assigned to participants which would have enhanced the learning process, such as an analysis and interpretation on information presented and observations made. No follow-up arrangements were made to have participants share their experiences with colleagues, administrative staff and members of cooperatives.

The selection process of group leaders to accompany groups attending out of country training activities is not fully known. The UTFRA training coordinator who could have profited most from leading a group or even being a group member was never invited to participate in any of the out of country training activities. Changes and modifications for the improvement of the program that might have come about if the coordinator had been included in one of these trips will never be known.

Participants stated that they gained a great deal from informal conversations during breaks with host members in the various countries. Such sharing sessions should be built into the program so that this interchange of ideas might be enhanced.

5. Master's Degree Program

USAID/El Salvador life-of-project target envisioned 20 long-term scholarships. Twelve participants were approved for long-term study abroad. Seven were sent to the Technological Institute and Higher Education Studies of Monterrey, México and all successfully graduated. One participant had to withdraw from a program in INCAE due to illness. Two participants graduated from Arizona State University and two will graduate from the institution in May or June of this year. A total of 11 participants completing masters programs represents a 55 percent achievement rate of the established target.

6. Findings

Four participants received their master's degree in business administration, two in agriculture, one in information systems, and two in computer science. Two other participants are expected to graduate in May or June with master's degrees in economics. (See BCR special study, Annex 9.)

Participants interviewed spoke highly of their academic institutions and their advisors who guided them to successful completion of their programs. They were impressed with the libraries, laboratories and computer centers. Most of all, they appreciated the discipline required of graduate students in these two excellent institutions. Participants indicated that this discipline has carried over in their own job performance.

Some participants interviewed have received promotions in recognition of their participation in professional growth activities. This has produced added enthusiasm and confidence in their work. All participants interviewed were looking forward to post master's degree study.

7. ABANSA Training Facility

Under the project, the ABANSA training facility was to receive of training equipment and supplies valued at \$120,000 so that it could accommodate project-related training in the country.

All computer equipment purchased under the project is in place and operable. Approximately 98 percent of established obligations have been fulfilled. Training activities have been continued to be extensive and intensive. ASU provides advice in developing training plans, and provides funds to contract for training services when dollar contracts are appropriate.

8. Findings

The equipment is completely installed and is being properly maintained. An observation of the training center found all pieces of equipment heavily guarded with a thick heavy cellophane cover in an air conditioned environment.

Overall, the training center was exceptionally well maintained. The copy machines were well cared for, clean, operable and also fully protected with cellophane covers.

The intensive training program of ABANSA requires extensive utilization of the equipment. Since ABANSA's program is from 6:00 pm onward it poses no conflict of use by UTFRA training programs during the daytime hours.

9. Conclusions

- a. Short-term in-country training has functioned well during the life of the project. The program has credibility with credit agents, bank officials, cooperatives, and training agencies.
- b. The out-of-country training activities received high praise from bank and cooperative participants interviewed. In particular, the teaching staff of Costa Rica's training agencies were held in high esteem for their excellent teaching proficiency as well as their development of instructional materials.
- c. The participants completing master's degrees were well selected. They are young, energetic and presently well prepared. They should make a great contribution to the banking community in the future. However, those selected to attend schools in the U.S. should have a greater proficiency in English.
- d. ASU has done an excellent job of developing the training capacity of ABANSA. The equipment is essential to serve the computer training needs of their own students as well as UTFRA training participants. ASU has created a unique awareness for the need to perform preventive maintenance.
- e. Overall, training program has been more than satisfactory to clientele it has served. The program has not experienced any serious implementation problems. The program coordinator is committed and puts forth a great effort to run a good and efficient program. Credit agents, bank officials and cooperative membership vigorously encouraged its continuance.

10. Recommendations

- a. Training objectives for the program should be reformulated to coincide with the broader focus taken in the provision of training. If the training program continues, some form of training or skills assessment should be conducted from which a training plan should evolve.
- b. A clearinghouse should be established to enhance training agency planning and reduce the confusion of cooperatives which are confronted with numerous representatives from training agencies to arrange training activities.
- c. A tighter design for out-of-country training should be developed to include: behavioral objectives, desired results, participant accountability by assigning tasks to be performed, final course evaluations, a commitment by participants to disseminate learning experiences with others and follow-up after participants return to El Salvador.
- d. All final reports prepared by group leaders of out-of-country training activities should be routed to the UTFRA training coordinator.
- e. English proficiency required in the pursuit of graduate studies goes far beyond the achievement of a minimum score on the TOEFL test. Additional instruction beyond the TOEFL requirements should be provided.
- f. The possibility of developing an in-depth training program for bank personnel should be explored. While many basic courses are already in place, specific training in project financial analysis, project monitoring, and collection to improve investment loan capabilities are needed. The area of cooperative financial and managerial needs assessment discussed in Section IIIA has not been covered and requires a specially designed course for teaching credit agents. BFA must be included in any future bank training programs, and as the PFI's become privatized, they should probably be dropped from training program coverage.

C. RESEARCH, POLICY STUDIES AND SEMINARS

This project component is concerned with studies and seminars. Studies were to focus on issues related to program implementation and policy development. The project paper and project agreement stated that 15 seminars were to be held over the life of the project. Implementation of this component was the responsibility of ASU.

Eight studies and nine working papers have been completed relative to: productive projects, areas of credit and computer systems that have been used to make important decisions. A list of research documents appears in Annex 7.

1. Findings

- a. There was no comprehensive plan to conduct research envisioned in this project. A committee was established with representation from the Central Bank, ASU, and PFI's. ASU eventually came forth with a list of research areas to be investigated.
- b. Some of the research conducted was selected from the list but most research emerged from issues that arose during implementation. It is felt that what has been done is worthy and will be useful once privatization of banks is completed.
- c. At mid-point in the life of the project USAID thought it best to concentrate on credit line research. Some of these research documents have been released to appropriate officials and have proved useful in the formulation of decisions.
- d. No seminars have been held to disseminate research. Dissemination of remaining final research documents will be done by sending copies to those banks in need of such information. The development bank has already received copies of some research documents.
- e. BFA has not been included as the subject of any policy studies, although a study of their transaction costs was included under the program.

2. Conclusions

1. The research has been satisfactory, useful and worthy. The documents should serve to assist banks to update information. The research has served its purpose.
2. As BFA becomes more important to the Project, a number of policy areas become open for further study.

3. Recommendations

1. Conduct studies of a problem-solving nature on the basis of need rather than continue to conduct high-level research for which there appears to be less need and limited resources to complete it.
2. Open discussion with the BFA to determine policy areas for study as a follow-on to the reforms begun as a result of compliance with the PIL.

D. SAVINGS MOBILIZATION PROGRAM

The Savings Mobilization Program was the direct responsibility of ASU under their contract. The objective was to develop a pilot rural savings mobilization scheme in conjunction with the BFA. In 1988, BFA proposed that procedures already established by the bank be implemented, but with marketing strategies and training to be developed by ASU. The University then conducted a diagnostic study of the BFA procedural manual and concluded that the manual had to be updated and new procedures established where appropriate. BFA did not agree with these findings, so ASU recommended to USAID that this project component be terminated. The component was dropped early in 1989.

1. Findings

- a. The BFA continues to provide a savings mobilization service in all their branches where most of their savings/deposits clients have low incomes.
- b. Of the 27 BFA agencies, only 15 are accredited by the BCR to accept deposits. Of those, only four agencies are under the "Safe" computerized system. This is a "point of service" system, wherein the transaction is registered in the client's records at the moment of execution.
- c. The following schedule issued by the BCR to all financial institutions delineates the rates of interest that deposits may earn:

Table 20
(annual percentages)

DEPOSIT ACCOUNTS	EFFECTIVE JULY 1, 1991 RATES OF INTEREST
1. Savings/deposits	8 - 10%
2. Fixed deposits	
(a) 60 to 179 days	(minimum 10% maximum 16%)
(b) 180 days to 1 year	(minimum 16% maximum 18%)
(c) 1 year or more	(maximum 20%)

The BFA's policy is to pay the maximum rate of interest allowed by the BCR on each respective account.

- d. Growth in the deposits of BFA during the period 1986 to 1990 is presented in Table 21.

Table 21
(In thousands of colones)

T Y P E	1986	1987	INC* %	1988	INC. %	1989	INC. %	1990	INC. %
Current Deposits	10,150	13,803	36.0	32,749	137.2	22,084	(32.6)	23,410	6.01
Time Deposits	12,033	20,246	68.2	30,593	51.1	40,993	34.0	45,392	10.7
Savings/ Deposits	11,150	13,084	62.2	21,578	19.3	24,091	11.6	34,826	44.5
T O T A L	33,333	47,133	56.0	84,920	63.0	87,168	3.0	103,628	19.9

Source: Banco de Fomento Agropecuario

* Percentage increase over previous year.

It is clear, that a demand for the deposit account service exists as the growth figures in Table 21 illustrates. Over the four year period reviewed using 1986 as the baseline year, a growth of 211 percent occurred, and it occurred without total significant improvement to the facilities and without special promotions or other marketing activity. This growth in deposits seems to show that people with lesser resources are capable of saving in small amounts. This premise should be re-examined. Furthermore, improving facilities and savings mobilization service of the BFA at this time may be warranted.

- e. BFA, like the commercial banks, employs a policy of retaining a percentage of a borrowing client's loan amount in a deposit account. This is a type of forced savings. These retained deposits are included and reflected in the growth presented in Table 21.
- f. The manager of the "Captación de Depósitos" department displayed an air of optimism with regard to the potential capital that could be mobilized if an aggressive and sustained campaign could be launched to promote the service.
- g. Four of the BFA branch offices are computerized and tied to the mainframe computer in the central office. This represents the beginning of a system that could be expanded to enable the provision of a full fledged savings mobilization service. Some of the branch agencies require an upgrading of their facilities and training for their staff to become more "bank-like" in their operations and in the image they portray to the public.

A summary of our findings reflects the following pertinent facts which impact on this Project component:

- (1) The savings mobilization program was terminated at an early stage of this Project.
- (2) Only four agencies out of the 27 BFA agencies are under the "Safe" computerized system.
- (3) Fifteen of BFA agencies are authorized by the BCR to take savings deposits; the other 12 agencies take savings deposits but are not authorized to do so by the BCR.
- (4) No transaction costs study has been undertaken for savings or other deposit-taking activities. (Such a study has been required under the April 27 PIL.)
- (5) A demand exists for the savings deposit service.
- (6) Savings deposit funds are lent by the BFA to make agricultural loans, mainly for coffee.

2. Conclusions

- a. An aggressive promotion for savings deposit would result in increased deposits for BFA.
- b. With only four branches computerized, the savings mobilization service appears costly to BFA since the other branches must record all transaction by hand.
- c. It is extremely important that the BFA determine a transaction cost estimate for the deposit side of its business.

3. Recommendation

- BFA should conduct a cost analysis study to determine its profitability before continuing their expansion of savings deposits, and putting more branches on-line to reduce costs. This might be combined with a cost-benefit analysis of the entire deposit-taking process to determine whether BFA should expand or drop these activities.

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IV. PROJECT IMPACT

Given the lack of baseline data from which to draw statistical comparisons, and as importantly, the insufficiency of time allowed the evaluation team to perform the social survey necessary to substantiate increased incomes and family well-being, we cannot conclude with certainty that the Project goal has or has not been achieved. However, the logical framework sets forth a number of verifiable indicators relating to project purpose and outputs to which we can address ourselves as evidence that Project 519-0307 has fulfilled much of the purpose that it was designed to accomplish.

The statistics relating to credit extended to the Reform Sector have been covered in previous sections of this evaluation. Considering that Project 519-0307 and its predecessor USAID projects, complemented by GOES counterpart funds, have been virtually the sole source of credit for the Reform Sector cooperatives, access to essential services and increased overall production by the Sector is a result of the project.

Annual flows of credit have been controlled by the propensity of the PFI's to lend, not by credit demand and not to the extent of funds available. The result is the substantial unutilized portion of project monies at this time. The mid-term evaluation and this final evaluation both address possible remedies for this situation. While only partial use of project funds has somewhat diminished potential project impact, those funds which have been lent and disbursed have contributed substantially toward achieving the project goal and purpose.

The absence of the participation of the BFA in the project, until recently, has resulted in the virtual neglect of assistance to 207 reform beneficiaries as the PFI's do not service this sector of the Agrarian Reform. BFA is by far the major lender of project funds to these small and medium-sized farmers (2,653 loans for \$13.9 MM as of March 31, 1991. See Table 9.)

We must also note that approximately one-half of the Reform Sector cooperatives are assigned to the BFA, including the majority of the category D and E cooperatives, the least credit-worthy. Many of these cooperatives are in conflict zones and have not received credit. Since their late entry, BFA made 116 loans with project funds to 74 cooperatives for \$24.8 MM. (See Table 9.)

Outputs Achieved and Jobs Produced

The rural development strategy envisaged by Project 0307 is directed towards creating higher productivity and more income for 207 small and subsistence farm families in Phase III and for members of the Phase I cooperatives. The focus has been toward

providing these groups with the necessary tools of production to become self-reliant.

The participants in both Phases I and III are the largest potential group of producers for non-traditional agriculture products for export. But traditional crops continue to provide the primary livelihood. Coffee, as the major export crop, provides employment for about 600,000 farm wage laborers and small subsistence farmers at coffee harvest time. Since it is projected that coffee production will decline in the future in El Salvador, it is imperative that crop diversification be developed further and that the coffee work force be trained to be employed in the production of new non-traditional crops.

The Phase I cooperatives have a membership of 25,000 to 30,000 at present. However, half of the cooperatives have been served by the BFA which has only had access to Project 0307 monies for the last nine months. But taking a rough estimate that 6,000 members have benefitted from the Project's financing and an average family size of six, we can conservatively estimate that 36,000 Salvadorian citizens at the lower end of the economic spectrum, the rural poor, have benefitted from the project directly and indirectly.

The total of 395 crop loans approved for the Phase I cooperatives during the LOP through March 31, 1991 was \$231.0 MM of which \$203.9 MM was disbursed (See Table 4.) Investment loans approved for Phase I cooperatives totalled \$97.5 MM. (See Table 4a.) According to the Central Bank, these loans generated 7,216,203 persondays of labor of which 6,163,828 applied to the production of traditional export crops, 482,890 to the production of non-traditional export crops, 323,599 to import-substitution crops, and 245,967 persondays for consumption crops (See Tables 22, 22a, and 22b.)

An Estimate of the Extent to which Achievement of the Purpose Contributed to Goal Achievement.

Visits to the ARC's revealed some improvements in their operating efficiency, especially those that employ proper farm inputs and equipment. The ARC's have provided employment to their member families and to non-member families in the surrounding areas. The evidence is abundant that progress has been made in the living conditions of their member families. New houses have been built, potable water has been made available, and some of the houses now have electricity. As an example, one of the ARC's visited has constructed 35 new homes within the last two years, providing essential services and there is a plan to continue supplying new houses and improve old structures. Improved health care services, which have been of extreme concern to the GOES, is another goal that the ARC's have set for themselves to be achieved as quickly as possible. The ARC's visited have nurses and doctors who periodically visit the membership families. Medicines are made available at low cost. In addition, schools are provided to educate the children of the members' families. These social and economic improvements are being accomplished in the larger and

**TABLE 22. IMPACT OF PRODUCTION AND INVESTMENT CREDITS UNDER REDISCOUNT LINE AID 519-0307
RESULTS REGARDING PRODUCTION AND GENERATION OF LABOR (IN DAYS) BY BANK (1987-1990)**

BANK	Production Yield	Labor Generated		Persondays			
	¢	¢	Persondays	Export			In-country Consumption
				Traditional	Non-traditional	Import Substitution	
AGRICOLA COMERCIAL	34,571,697.35	9,903,231.98	1,167,254.13	860,225.79	253,294.94	24,566.47	29,166.92
CAPITALIZ.	27,947,483.84	2,808,322.15	586,877.52	377,314.78	2,124.60	36,483.02	170,955.11
COMERCIO	8,505,879.00	3,958,138.92	623,241.03	620,008.11	3,232.91	0.00	0.00
CREDITO	10,120,737.90	2,696,825.68	342,792.00	336,017.94	6,774.05	0.00	0.00
CUSCATLAN	44,515,141.00	8,439,664.04	1,746,707.02	1,593,361.30	22,703.78	125,716.28	4,925.64
HIPOTECAR.	26,293,328.90	4,435,524.30	792,070.53	653,890.27	36,309.53	99,992.32	1,878.39
SALVADORE.	63,390,712.84	12,188,810.64	1,523,865.67	1,321,062.42	153,660.27	19,694.88	29,448.09
FINANCIERO	5,020,394.00	1,423,016.50	131,349.53	126,167.25	0.00	3,350.85	1,831.42
MERCANTIL	3,462,944.35	1,042,204.35	166,944.00	157,800.35	564.04	818.00	7,761.59
DES. E. INV	2,476,694.85	740,542.30	135,103.92	117,980.64	4,145.80	12,977.46	0.00
TOTAL	226,305,014.03	47,636,280.86	7,216,205.35	6,163,828.89	482,809.95	323,599.31	245,967.19

74

55

**TABLE 22a. IMPACT OF PRODUCTION CREDITS UNDER REDISCOUNT LINE AID 519-0307
RESULTS REGARDING PRODUCTION AND GENERATION OF LABOR (IN DAYS) BY BANK (1987-1990)**

BANK	Production Yield	Labor Generated		Persondays			
	¢	¢	Persondays	Export			In-country Consumption
				Traditional	Non-traditional	Import Substitution	
AGRICOLA COMERCIAL	33,292,479.31	8,739,950.56	1,017,942.00	779,012.87	229,381.66	9,547.45	0.00
CAPITALIZ.	17,307,230.80	1,667,507.46	369,379.52	367,220.19	2,159.32	0.00	0.00
COMERCIO	8,490,171.00	2,967,694.00	475,971.19	474,378.24	1,592.94	0.00	0.00
CREDITO	10,120,737.90	2,419,691.66	295,221.00	289,387.01	5,833.98	0.00	0.00
CUSCATLAN	37,091,966.00	7,045,132.20	1,444,788.00	1,415,342.95	22,537.73	2,017.68	4,889.62
HIPOTECAR.	22,861,659.80	3,841,281.92	656,181.00	621,585.60	34,595.39	0.00	0.00
SALVADORE.	59,797,177.84	10,773,261.24	1,246,983.30	1,112,257.79	132,254.36	0.00	2,471.14
FINANCIERO	4,892,319.00	1,215,215.00	116,537.00	114,869.57	0.00	0.00	1,667.42
MERCANTIL	3,420,276.35	615,136.20	103,571.00	99,119.62	0.00	0.00	4,451.37
DES. E. INV	2,238,794.85	581,557.95	100,852.92	97,429.28	3,423.63	0.00	0.00
TOTAL	119,512,812.85	39,866,426.19	5,827,426.19	5,370,603.17	431,779.06	11,565.14	13,479.57

56

15

**TABLE 22b. IMPACT OF INVESTMENT CREDITS UNDER REDISCOUNT LINE AID 519-0307
RESULTS REGARDING PRODUCTION AND GENERATION OF LABOR (IN DAYS) BY BANK (1987-1990)**

BANK	Production Yield	Labor Generated		Persondays			
	¢	¢	Persondays	Export			In-country Consumption
				Traditional	Non-traditional	Import Substitution	
AGRICOLA COMERCIAL	1,279,218.04	1,163,281.42	149,312.13	0.00	0.00	48,480.59	100,831.53
CAPITALIZ.	10,640,253.04	1,140,814.69	217,498.00	15,574.36	0.00	35,513.16	166,410.46
COMERCIO	15,708.00	990,444.92	147,269.84	0.00	147,269.84	0.00	0.00
CREDITO	0.00	277,134.02	47,571.00	0.00	0.00	0.00	0.00
CUSCATLAN	7,423,175.00	1,394,531.84	301,919.02	173,715.17	0.00	128,203.84	0.00
HIPOTECAR.	3,431,669.10	594,242.38	135,889.53	1,979.93	0.00	131,440.43	2,469.16
SALVADORE.	3,593,535.00	1,415,549.40	276,882.37	124,648.24	3,852.50	63,125.63	85,255.97
FINANCIERO	128,075.00	207,801.50	14,812.53	0.00	0.00	14,812.53	0.00
MERCANTIL	42,668.00	427,068.15	63,373.00	0.00	17,377.52	25,201.86	20,793.61
DES. E. INV	237,900.00	34,251.00	34,251.00	0.00	0.00	34,251.00	0.00
TOTAL	26,792,201.18	7,769,852.67	1,388,778.42	315,917.72	168,499.86	481,029.06	375,760.76

26

better financed ARC's. Many of these improvements in living conditions have not taken place in the smaller and poorer cooperatives.

The limited scope of investigation with banks, government officials, and visits to the ARC's verify that improvements in living conditions of the farm families have occurred and, in part, are a direct result of the Agrarian Reform Financing Program. It is imperative that the program continues to assist a wider array of beneficiaries, especially the small farmer who has had only limited access to project credit in the past. (See Annex 11, Report on cooperatives visited.)

The Extent and Significance of Increased Availability and Productive Use of Credit in the Reform Sector

The excellent crop loan repayment record of the ARC's has encouraged the PFI's to make short-term loan money available. However, the PFI's are reluctant to increase their credit exposure in financing long-term investment to the ARC's. This is due to: the undercapitalized financial condition of the ARC's, their lack of managerial competence, their inability to supply land as collateral, and others.

The loan guarantee fund should improve this situation over time. Time will tell, with experience, whether the loan guarantee fund will provide sufficient incentive to the PFI's to increase their long-term exposure to the Reform Sector. The ARC's see the guarantee mechanism as a tool to obtain more credit and compensate for their undercapitalized condition. One bank has expressed a willingness to increase its long-term exposure due to the availability of guarantees and others might follow.

Performance at Coordinating Unit and Credit Agents Assigned to PFI's

The success that has been attained in the delivery of financial resources to the targeted groups (ARC's) has been due to the intervention of UTFRA and the credit agents assigned to the individual PFI's. This success is mainly attributable to the monitoring, supervision and effective collection procedures employed by the bank credit agents.

Organization, and Delivery of Technical Assistance and Training

While the organization and delivery of the training component has deficiencies as described in the training section of the report, overall performance has been more than satisfactory.

Training given to the farm sector users has been more to assist the borrower to achieve success in crop production rather than solution or remedy for a non-performance deficiency. In general, there are still substantial problems to be solved relative to training agencies that lack coordination for successful accomplishment of

the training goals. Programs need to be custom designed and directed at assisting the Phase I cooperative members, management, and staff to solve felt needs.

It was learned that the out-of-country training received high praise by the bank and ARC participants interviewed. Training content was deemed useful.

The technical assistance provided by ISTA personnel in the past was, in many cases, not acceptable to the beneficiaries. Some of their technicians providing these services were not qualified or experienced. However, since UTFRA with technical assistance from ASU, along with Technoserve, CLUSA, FUSADES/DIVAGRO, and other professionals have taken on these responsibilities, user acceptance and program effectiveness have both improved dramatically. As a result, we were told that ISTA has upgraded the quality of its field advisors and has even utilized the services of outside professionals from time to time.

Banking System Strengths and Weaknesses and Its Ability to Continue Serving the Target Clientele

The financial condition of the commercial banks is still extremely weak. The majority of the banks are over leveraged and in some cases severely undercapitalized. They also lack adequate loan reserves to diminish the risk to capital due to loan losses. The condition of the banks will be further aggravated if they increase their exposure by financing ARC's which are not completely creditworthy, since the BCR requires that reserves be immediately established for loans classified C, D and E.

The loan guarantee fund, which became available in April 1991, will lessen the credit risk of financing the ARC's. To meet the Project goals, it will be necessary that the BFA continue to increase its lending to the ARC's. Technical assistance should be provided to BFA to meet their increased financing responsibility.

Another tool the banking system can use in financing more ARC's, is the export letter of credit. It can be an excellent vehicle to reduce the risk of non-payment.

Adequacy of Assumptions According to the Project Log Frame

At the goal level all the assumptions were valid except that the level of violence continues. This has been a contributing factor to the lower than planned utilization of the Project's rediscount line of credit.

At the purpose level, the assumption that the technical assistance to the ARC's would improve their overall managerial capabilities proved to be correct. However, more technical assistance and training is required. The ARCs' training needs must be prioritized according to their importance and contribution to the Program. Apparently, these enormous needs were not totally identified and considered as the project has placed major T/A concentration on the

credit delivery side rather than on the strengthening of the credit-worthiness of recipients. The 0265 Technoserve project has been of crucial importance, according to informants. However, the cooperative education needs are enormous; they require a long-term commitment with acceptance of slow progress, and training is complicated by cooperative governing rules which result in frequent changes of key committee members, directors, and often management.

The credit disbursement objective has been achieved for short-term crop financing, however credit for long-term investment financing continues to fall short of objectives. While unstated, there has been an implicit assumption that funds, if available, would find their way to the ultimate Reform Sector beneficiaries if a proper delivery system were designed and implemented. We have found that this implicit assumption is partially incorrect and that given the freedom of making the lending decision, a bank will: (a) not lend to borrowers considered uncredit-worthy, (b) not readily lend for investment purposes without adequate collateral, and (c) be reluctant to lend to support new crop or product innovations poorly understood by both the borrower and the lender, particularly concerning the adequacy of prices and markets for the new product.

Projects which call for a change in established norms on the part of established lending institutions, such as the PFI's, should have extensive input from the institutions during the design stage. Project 0307 has made up for this shortcoming by providing controls, technical assistance, and additions to project components, such as the establishment of the guarantee facility, during the course of project implementation.

Outputs

1. The credit line is functioning well but has not met its five year goal of having all funds disbursed.
2. Most training goals for PFI's have been met, but not enough resources have been applied to ARC needs as recommended in the mid-term evaluation, nor have training and T/A needs of the ARC's been fully or systematically identified and prioritized.
3. The Research, Policy Study and Education Program is functioning satisfactorily and the goals have been met.
4. The Pilot Savings Mobilization Program was discontinued early in the project. However, BFA continues to provide a savings mobilization service. Cost-benefit analysis should be performed to determine the future of these services.

Inputs

The contribution of USAID has been made as programmed with \$18.4 MM yet to be disbursed. In addition, \$5.0 million called upon was not disbursed by USAID to BCR because BFA had not complied with all the covenants in the agreement. Furthermore, \$23.0 million of GOES counterpart funds remain to be disbursed by GOES.

V. ADEQUACY OF PROJECT ASSUMPTIONS

Given the limited scope of the Project, within the totality of the needs of the Reform Sector, the assumptions upon which it is based are as well formulated as possible. The USAID project system makes it very difficult to design a comprehensive, long-term plan which would encompass all the needs of the Reform Sector.

The importance of the Reform Sector to the economy of the Republic of El Salvador cannot be overstated. Similarly, the size of the population included in the Sector makes it one of the most important social and political blocks within the citizenry. But because the Reform Sector was created by law and political action on the part of GOES, and did not evolve over time with the attendant cultural and educational development normal in most other sectors of society, the problems involved in raising living standards and the level of skills of the Sector to match those of the rest of the country are staggering.

It is almost bureaucratically impossible to foresee all contingencies and create a sound set of assumptions to design assistance programs for the Reform Sector in a short, five-year view. The development problem must be attacked on several fronts simultaneously, continuously, and with perseverance. At a minimum, the Reform Sector development challenge requires a 25 year time horizon, in the opinion of the team.

Our evaluation points out that the successes of 0307 are a result of a combination of money, the nationalized banks subject to following government policy, institutional education, technical assistance, and training. The shortcomings of 0307 can be overcome with more of each over an extended period of time.

VI. LESSONS LEARNED

1. Crop diversification is possible when it is demonstrated that the beneficiary will increase its income for the benefit of cooperative members. Validation done during visits to cooperatives showed positive results from this program.
2. A well designed credit delivery system should include the following as operational objectives:
 - (a) Timeliness in loan approval and funds disbursement;
 - (b) Cost-effective disbursement, collection and control;
 - (c) Well designed incentive mechanisms (i.e., adequate spreads, and Loan Guarantee Fund, etc.);
 - (d) Well established marketing system with crop proceeds paid directly to the financing institution; and
 - (e) An effective management information system.

Project 0307 shows that an effective credit delivery system, which serves the targeted beneficiaries, can be designed.

3. We have learned that the credit delivery system, in and of itself, will not induce a reluctant banker to make a loan which he does not wish to make. Upgrading the creditworthiness of the target community is of equal or greater importance.
4. The strict supervision provided by the credit agents in monitoring and controlling credit utilization has created the circumstances for the active participation of the PFI's. The active participation of UTFRA technicians in promoting, monitoring, and controlling the program, with assistance from ASU and other external sources, has been crucial. The evolution of the BCR's role, acceptance, and cooperation in resolving problems as the program progressed was also of vital importance.
5. Credit programs involving both PFI's and the Central Bank reinforced the impression given borrowers that monies borrowed were to be repaid in a timely fashion. The relationship between the cooperative borrower, the credit agent, and the PFI was maintained on a thoroughly businesslike basis.
6. The fallacy that small farmers and cooperatives only use credit at subsidized interest rates has proved wrong in the case of the small farmers participating in the Agrarian Reform Financing Program in El Salvador.
7. The design of a credit program incorporating the lender's freedom of choice must consider the credit-worthiness of the

potential borrowers. If credit-worthiness is lacking, a strong, parallel effort to upgrade credit-worthiness of the borrowers is essential.

8. Training is more effective when follow-up is conducted to assess on-the-job performance change.
9. Rigorous screening and selectivity of candidates for graduate study enhances chances for success.

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LIST OF TABLES AND FIGURES**TABLES**

- 1 & 1a. Volume of Loans Granted and Disbursed by Source of Funds and Users
- 2. Cumulative Number and Amount of Loans Rediscounted by BCR
- 3. USAID Project Financial Status Report
- 4 & 4a Purpose of Production Loans Granted to Phase I Cooperatives under Rediscount Line - AID-519-0307
- 5 & 5a. Loans Granted by User, Type, Number and Amount
- 6. Indicators of Results Under Rediscount Line - 519-0307
- 7. Percentage of Delinquency and Loan Recuperation - PFI's Level
- 8. Purpose of Production Loans Granted to Phase I Cooperatives under Rediscount Line - AID-519-0307
- 9. Loans to Phase I Cooperatives and 207 Beneficiaries by Bank
- 10, 10a & 10b Percentage of Delinquency and Loan Recuperation by Bank
- 11. New Rediscounted Loans Under Rediscount Line - 519-0307
- 12. Purpose of Loans
- 13. New Rediscounted Loans by Bank
- 14. Cumulative Number and Amount of Loans Rediscounted by BCR
- 15. UTFRA Credit Goals by Contracting
- 16. Status of Investment Projects Already Formulated
- 17. Distribution of Credits Granted and Disbursed by Purpose and Quarter
- 18. Distribution of Cumulative Rediscounts by Purpose and User
- 19. Purpose of Production Loans to Decree 207 Beneficiaries

20. Rates of Interest - BFA Deposit Accounts
21. BFA Deposit Rates: 1986 - 1990
- 22, 22a.
& 22b. Impact of Crop and Investment Loans on Persondays of Labor Applied to the Production of Traditional Export Crops, Non-Traditional Export Crops, and Import Substitution.

FIGURES

1. Distribution of Loans Granted by Quarter
2. Distribution of Loans Disbursed by Quarter

LIST OF ANNEXES

1. Statement of Work
2. Log Frame
3. List of Persons Interviewed
4. List of Agencies, Banks, and Cooperatives Interviewed
5. List of Acronyms
6. List of Training Activities
7. Documents Completed in Research, Policy Studies and Seminars
8. USAID/El Salvador Project Financed Status Report - Project Information Summary As of 3/31/91.
9. UTFRA - BCR Special Report
10. List of Team Members
11. Report on Visits to Agencies, Banks, and Cooperatives
12. AID Evaluation Summary: Abstract
13. Approach for Training Phase I Cooperatives
14. Prioritized List of Recommendations

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**"THE FINAL EVALUATION
OF THE AGRARIAN REFORM
FINANCING PROJECT"**

ANNEXES

Submitted to:

**USAID/El Salvador
519-03-07**

Submitted by:

**Development Associates, Inc.
1730 North Lynn Street
Arlington, VA 22209-2023
(703) 276-0677**

September 1991

DEVELOPMENT ASSOCIATES, INC.

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LIST OF ANNEXES

	<u>Pages</u>
1. Statement of Work	A-1
2. Log Frame	A-10
3. List of Persons Interviewed	A-12
4. List of Agencies, Banks, and Cooperatives Interviewed	A-13
5. List of Acronyms	A-14
6. List of Training Activities	A-16
7. Documents Completed in Research, Policy Studies and Seminars	A-25
8. USAID/El Salvador Project Financed Status Report - Project Information Summary As of 3/31/91	A-26
9. UTFRA - BCR Special Report	A-30
10. List of Team Members	A-63
11. Report on Visits to Agencies, Banks, and Cooperatives	A-64
12. AID Evaluation Summary: Abstract	A-125
13. Approach for Training Phase I Cooperatives	A-130
14. Prioritized List of Recommendations	A-132

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87

ATTACHMENT No. I
 PIO/T No. 519-0307-3- 70296

Page 4 of 16 pages.

FINAL EVALUATION
AGRARIAN REFORM FINANCING PROJECT

STATEMENT OF WORK

I. ACTIVITY TO BE EVALUATED

Project No. AID 519-0307

Title: Agrarian Reform Financing

Cost: Total: \$67.0 (million)
 Grant: \$50.0 (million)
 GOES: \$17.0 (million)

Authorization Date: 07/31/86

PACD: 07/31/91

II. PURPOSE OF EVALUATION

The evaluation is needed to provide the Mission with an independent assessment of the progress and impact resulting from extensive efforts put forth to further accomplish project purposes and the goal since the last formal evaluation performed on Oct./Nov. 1988. These efforts and their results need to be evaluated to provide the Mission with information and recommendations useful in guiding future credit activities. The evaluation will also be a key input in the Mission's consideration of a PACD extension.

The objective of the evaluation is to determine the end of project impact at the goal and purpose levels of the Project. At the goal level, it will assess how and to what extent the project has contributed to the improvement of the economic well being of agrarian reform sector farm families through increased agricultural production and productivity of land and labor from the use of credit made available through the project. At the purpose level, the evaluation will assess: (1) the extent and significance of increased availability and productive use of credit in the reform sector, (2) the extent to which the project has contributed to improving credit delivery systems, (3) the performance of the BCR Coordinating

ATTACHMENT No. I

PIO/T No. 519-0307-3- 70296

Page 5 of 16 pages.

Unit and the credit agents assigned to banks, and (4) the organization, content and delivery of technical assistance and training. The assessment will include an analysis of the banking system strengths and weaknesses and its ability to continue serving the target clientele, and recommendations as to what future role USAID should play in this area.

III. BACKGROUND

Setting - In March 1980, the Government of El Salvador (GOES) instituted sweeping social and economic reforms to transfer ownership of farm lands from large landholders to those who worked the land. The shift in ownership of over 20 percent of El Salvador's land under the agrarian reform program increased agricultural credit demand by its beneficiaries. Their need for credit was considered immediate and crucial to the successful implementation of the reform program. To help meet this increased demand, USAID/El Salvador developed an Agrarian Reform Credit Program. The current project is the third in a series of projects addressing the credit needs of this clientele.

History - The Agrarian Reform Financing Project No. AID 519-0307 was signed in July 31, 1986. The Grant Agreement was for \$50.0 million to "Increase the availability and productive use of credit in the agricultural reform sector." Of the \$50.0 million provided, \$46.7 million was to establish a line of credit for on lending by the mixed banks, the Mortgage Bank (BH) and the Agricultural Development Bank (BFA); \$1.6 million was for a training program for bank officials and credit agents, and the remaining \$1.7 for policies studies, a pilot savings mobilization program, and the administration of the project. The GOES was to provide the equivalent in local currency of \$17.0 million, bringing total project funding to \$67.0 million.

Project Design and Implementation - The project consists of four components: (1) a rediscount line of credit administered by the Central Reserve Bank (BCR); (2) a training program for bank officials and credit agents; (3) policy studies dealing with issues relevant to agricultural financing; and, (4) a pilot savings mobilization program, which was discontinued mid way through the project.

The rediscount line makes available funds for on lending by the mixed banks, the Mortgage Bank (BH) and the Agricultural Development Bank (BFA). The BCR rediscount line provides

ATTACHMENT No. I
 PIO/T No. 519-0307-3- 70296
Page 6 of 16 pages.

spreads to participating intermediary institutions which provide medium and long term production and investment credit to reform sector cooperatives and to phase III land reform beneficiaries.

Funds have been assigned under the project for short term and long term training to strengthen the capability of all participating institutions to develop bankable projects and to deliver and monitor credit to eligible beneficiaries and to improve the overall performance of the banking system.

The project also provides funding for a series of studies on policy issues and for special seminars for policy level managers.

The pilot savings mobilization program to assist the Agricultural Development Bank (BFA) in its program of capturing deposits, was discontinued based on the mid-term evaluation findings.

In early September 1987, Arizona State University (ASU), was awarded the technical assistance contract to the project. The contract calls for ASU to: (1) monitor and assist in improving the credit operations of all institutions involved in utilizing the rediscount line. (2) advise in the planning and implementation of the short-and long-term training, (3) propose and undertake research policy studies and seminars, and (4) advise and assist the BFA in design and implementation of the savings mobilization program.

Responding to the USAID Agricultural diversification strategy and with the concurrence of BCR senior management, the project established in late 1987 additional criteria for lending. Priority was given to loan applications which proposed non-traditional production for export or import substitution.

According to the 1988 evaluation, the major findings and conclusions were:

- a) The volume and type of loans approved to date are satisfactory; however, there exists a bureaucratic and bothersome credit delivery system for investment loans in BCR.
- b) Lack of authority of coordinating unit to make opportune decisions.
- c) Unclear definition of training objectives.

ATTACHMENT No. I
 PIO/T No. 519-0307-3-70296
Page 7 of 16 pages.

- d) Lack of agreement between BFA and USAID on how to implement the Savings Mobilization component of the project, and
- e) Bank's reluctance to finance products with which the beneficiaries are not familiar.

Current status

a) Rediscount Line of Credit (Loan Numbers and Amounts)

At the end of the third quarter 1990, the project had rediscounted a cumulative total of ₡328.0 million (\$54.6 million), including AID, GOES and BCR funds.

Of that amount, 178 different cooperatives had received a total of 628 loans in the amount of ₡308.9 million (\$52.0 million), and 2670 loans totaling ₡19.0 million (\$2.6 million) were received by Decree 207 beneficiaries.

Of the \$46.7 million USAID funds obligated for this component, only \$21.7 million have been disbursed with less than one year remaining in the project.

b) Training

An important component of the 0307 Project is the provision of training for credit agents, bank personnel and borrowers in subject matter that will enhance the success of the Project. Under this component, the amount of \$2.0 million was obligated of which \$1.1 was assigned for program management and \$0.8 for training activity.

At the end of the third quarter a total of 36 short term courses to 1,032 participants were provided in-country and 10 short term courses to 61 participants in other countries. Sixty seminars were provided to 3,857 beneficiaries of the project. In the long term training program, there were 8 Salvadoran bankers studying for their master's degrees at the Monterrey Institute of Technology and four students at Arizona State University for their master's degrees.

c) Research, Policy and Seminars

The Research, Policy Studies and Seminars project component is assessed as an integral element given the coordinated and interlocking nature of the different project activities. An amount of \$0.6 million has been programmed for this component, of which as of October, 1990 the amount of \$0.5 has been

ATTACHMENT No. I
 PIO/T No. 519-0307-3-70296
Page 8 of 16 pages.

disbursed. Small studies include a transaction cost study and an assessment of the agricultural credit needs for Decree 207 beneficiaries.

IV. STATEMENT OF WORK

After arrival at Post the consultants will, over a three day period, be briefed by AID, Arizona State University, Central Bank and commercial bank personnel and will review pertinent documentation.

The consultants will then expend not more than three days in preparing a detailed work plan. The work plan will schedule the activities of each team member, lay out the objectives for each activity, specify the kind of information to be sought, how the information will be validated, the analytic framework in which it will be utilized and the product of sub-products that will be developed.

The work plan, which must be approved by the AID project officer, is considered a critical element in the evaluation exercise. It is intended to demonstrate that the consultants and the AID project manager are fully agreed as to points to be addressed in the final product, the methodology utilized to develop those points and the kind of evidence upon which observations are based. The work plan must, at minimum address the activities required to produce the final evaluation report that will:

- (a) Provide a summary of the Agrarian Reform Financing Project's development since its inception in 1986 and AID's contribution thereto. This section will include a detailed description of key commitments by the GOES to the program. Similarly, it will describe AID's investment in Project 519-0307 including its various amendments. The last evaluation report, GOES documents, BCR records, AID project documents and other secondary sources including interviewers, will serve as information sources for this summary.
- (b) Quantify outputs achieved to date and compare them to outputs targets. The quantification will include the number and amount of loans granted and disbursed, purpose of loans, number of farmers benefitted directly or indirectly, by type of borrowers (reform sector cooperatives and Decree 207 beneficiaries).

92

ATTACHMENT No. I
 PIO/T No. 519-0307-3-70296
Page 9 of 16 pages.

- (c) Evaluate the extent to which achievement of the purpose contributed to goal achievement. The indicators of goal achievement employed will include estimates of the value of increased production opportunities and increased productivity of land and labor and in net family income through activities financed with project funds. The number of direct and indirect beneficiaries of the project will also be estimated along with any other appropriate indicators of goal achievement.
- (d) Assess: (1) the extent and significance of increased availability and productive use of credit in the reform sector, (2) the extent to which the project has contributed to improving credit delivery systems, (3) the performance of the BCR Coordinating Unit and the credit agents assigned to banks, and (4) the organization, content and delivery of technical assistance and training. The assessment will include an analysis of the banking system strengths and weaknesses and its ability to continue serving the target clientele, and recommendations as to what future role USAID should play in this area.
- (e) Assess the adequacy of assumptions (according to log frame) underlying the project design and determine the extent of impact of exogenous factors such as civil strife, agricultural prices and evaluation of project accomplishments (actual implementation conditions vs. assumptions).
- (f) Provide a summary with conclusions and specific recommendations as to how the project might have been improved (Lessons Learned). This summary will include recommendations to guide the Mission in the design and implementation of on going and future credit activities.

V. REPORTING REQUIREMENTS

The contractor shall provide the USAID and GOES with the following reports:

1. A Work Plan

This is described in the above section. It must be provided within six working days after the arrival of the consultants.

2. A Draft Report

At least seven working days before leaving El Salvador, the Team Leader shall give to the AID Project officer a copy of a draft report which shall contain the same sections outlined. The consultants will participate in individual reviews of this draft with the project team, with designated USAID officers, and in a senior staff review to be held three days after the date of submission of the draft.

3. A final report

Immediately before departure, the consultants will prepare and deliver 5 copies of a final draft report, incorporating drafting or substantive changes, if any, which may be recommended in the senior staff review. Final evaluation reports (a minimum of 5 English copies and 3 in Spanish) are to be submitted to the Project Officer by the evaluation team no later than four weeks after the evaluation team departs country, incorporating clarifications and/or additions requested by the Mission. The evaluation report will include the following sections:

(A) an Executive Summary, including purpose of the evaluation, methodology used, findings, conclusions and recommendations. It will also include comments on development impact and lessons learned. It should be complete enough so that the reader can understand the evaluation without having to read the entire document. The summary should be a self-contained document.

(B) A copy of the scope of work under which the evaluation was carried out. The methodology used will be explicitly outlined and will contain the provisions to assess how (and how successfully) the project being evaluated fits into the Mission's overall strategy. Any deviation from the scope will be explained.

(C) A listing of the evaluation team, including host country personnel, their field of expertise and the role played on the team.

(D) A clear presentation of the evaluation recommendations, in a separate section of the report so that the reader can easily locate them.

(E) A discussion of any previous evaluations reviewed with a brief description of conclusions and recommendations made in the earlier reports. The evaluators will discuss briefly what use was made of the previous evaluation in their review of the project.

ATTACHMENT No. I
 PIO/T No. 519-0307-3-70296
Page 11 of 16 pages.

(F) The project's lessons learned should be clearly presented. These should describe the causal relationship factors that proved critical to project's success or failure, including necessary political, policy, economic, social and bureaucratic preconditions within the host country and AID. These should also include a discussion of the techniques or approaches which proved most effective or had to be changed and why. Lessons relating to replicability and sustainability will be discussed.

(G) A paginated Table of Contents.

4. AID Evaluation Summary

The evaluation team will complete the abstract and detailed summary portion of the "AID Evaluation Summary", for submission with final report. USAID/El Salvador will provide the team with appropriate forms and guidance .

VI. METHODOLOGY

The contractor shall work under the direct supervision of the USAID/El Salvador Rural Development Officer. This study is to be carried out in El Salvador.

Field work as may be necessary and preparation of a draft report and an exit conference will take place in El Salvador. Access to appropriate secondary data sources and contacts necessary to gather primary data and interview GOES and BCR or banks will be facilitated by USAID.

The contractor will certify that under the Executive Privilege Procedure of the USG, no copies of any documents prepared and/or obtained in the process of carrying out its work will be made available to any person(s) or institution(s) without the prior written consent of USAID/El Salvador.

VII. SCHEDULE AND LEVEL OF EFFORT

The work is scheduled to commence on or about February 25, 1991 and to be completed on or about April 4, 1991. We estimate that completion of the tasks herein described will require 86 person days of effort. A six day work week is authorized. Estimates of level of effort by team members are as follows:

<u>Person</u>	<u>person/day</u>
1 Team Leader (Financial Analyst)	32
2 Financial Operation Specialist	26

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ATTACHMENT No. I
 PIO/T No. 519-0307-3-70296
Page 12 of 16 pages.

3	Training Specialist	14
4	Agriculture Production Specialist	14
	T o t a l	----- 38

VIII. CONSULTANT QUALIFICATIONS

1. The team leader should have broad and varied experience in commercial and developmental banking with substantial knowledge of agricultural lending within the third world, especially in Latin America. He/She should have demonstrated the ability to organize and direct the activities of a multi-disciplinary team and to produce accurate and lucid reports. He/She would be expected to have earned an advanced degree in finance, business administration on related field; and to have successfully discharged high level responsibilities in developmental lending for at least ten years. Fluency in Spanish is required.
2. The Financial Operations Specialist should have extensive experience with lending operations in commercial banks, development banks and supervised credit programs. He/She should be thoroughly conversant with the various instruments utilized for extending credit to small farmers and agricultural cooperatives through central banks, commercial banks and private processing firms. Fluency in Spanish is required.
3. The training specialist should have extensive experience in the design and implementation of job-specific training programs. Experience in training credit delivery personnel would be a plus. The consultant should have an advanced degree in psychology, education on related fields. Fluency in spanish language is required.
4. The Agricultural Specialist should have extensive agricultural production experience in Latin America, particularly in programs involving cooperatives and small farmers. He should be thoroughly versed in tropical agronomic practices, in farm record keeping and in end-use monitoring of agricultural credit. He/She should have an advanced degree in one or more of the agricultural sciences and at least five years of appropriate experience. Fluency in Spanish is required.

AGRICULTURAL REFORM SECTOR FINANCING

(519-0307)

LOGICAL FRAMEWORK MATRIX

<u>Narrative Summary</u>	<u>Objectively Verifiable Indicators</u>	<u>Means of Verification</u>	<u>Important Assumptions</u>
<p>Project Goal: To increase the economic well being of farm families in the reform sector.</p> <p>Sub-Goal: To increase agricultural reform sector output.</p>	<ol style="list-style-type: none"> 1) Increased income of reform sector beneficiaries 2) Increased access to essential services 3) Improved living conditions <ol style="list-style-type: none"> 1) Increased overall agricultural production in the reform sector in both volume and value. 	<p>Statistics of Central Bank of Reserve</p> <p>Statistics of MFG</p> <p>Reports and special studies to be conducted by FERA.</p>	<ol style="list-style-type: none"> 1- GOES policies will be favorable and encourage production (i.e. price incentives for agricultural output, exchange rate policies) 2- Favorable climatic conditions will prevail. 3- The present level of violence in the country will decrease.
<p>Project Purpose: To increase the availability and productive use of credit in the reform sector.</p>	<p>Project Status (RORS):</p> <ol style="list-style-type: none"> 1. Intermediary credit institutions' annual flow of credit will increase at least by the amount made available annually under the Project. 2. Creditworthy ag reform coops and other beneficiaries will increase their total ag credit at least by the amount made available through Project. 3. The loan repayment rate for reform sector cooperatives and Phase III beneficiaries improved by at least 15% over the 1985 levels by 1991. 	<p>Central Bank of Reserve statistics/ records on banking system loan portfolios; PFI Records Records/reports of ag reform cooperatives.</p>	<ol style="list-style-type: none"> 1- Credit being made available from the Project will be in addition to present credit levels of Reserve Bank and PFIs. 2- Technical assistance in cooperative organization, management, and financial planning will improve overall cooperative management procedures. (0265, Technoserve) 3- Credit will be distributed according to credit evaluation criteria to be established

(519-0307)

LOGICAL FRAMEWORK MATRIX

<u>Narrative Summary</u>	<u>Objectively Verifiable Indicators</u>	<u>Means of Verification</u>	<u>Important Assumptions</u>	
Outputs:				
1) Rediscount credit line established and functioning	1) Rediscount loans made to PFI	- Central Bank records and reports - FERA field surveys - PFI records/reports - Ag reform coop records	1- Interest rates will be flexible and approach market rates when possible. 2- Incentives will exist to encourage savings.	
2) Training program in place.	2) Training sessions and other activities held.			
3) Policy study and Education Program functioning	3) Demonstrated efforts/interaction i.e. meetings/dialogues; seminars			
4) Pilot savings mobilization program established.	4) Reports produced.			
<hr/>				
Inputs:				
Rediscount line	AID \$ 46 M	* GOES \$14.0 M	- AID Controller's records - Central Bank of Reserve reports	1- Central Bank of Reserve disbursements made in a timely manner. 2- AID funds made available as scheduled.
Technical Assistance	1.7 M	2.05 M		
Training	1.3 M	.025 M		
Other Costs	1.0 M	.925 M		
* In-kind contribution and ECR rediscount credit line	\$50.0 M	\$ 17.0 M		

LIST OF PERSONS INTERVIEWED

Sra. Ana Luz de Mena -	Project Manager, USAID
Don Harrington -	ABO/RDO/USAID
Kenneth C. Ellis -	RDO/USAID
Ted Landu -	DDPP/USAID
Ross Wherry -	PRJ/USAID
Lic. Carlos Pocasangre Lopez -	Jefe de Programa UTFRA
Alfonso Zuniga -	ASU
Pedro Negrón -	ASU
Mario Cornejo -	UTFRA
Lic. Antonio Leyva -	BCR
Lic. Benjamin Garcia -	Jefe, Dpto. de Crédito, BFA
Ing. Mario Barahona -	Jefe del Dpto. de Crédito Banco Salvadoreño (BS)
Ing. Vicente Serpas -	Jefe, Dpto. de Crédito, Banco de Comercio
Lic. Gustavo Adolfo Escobar -	Gerente General, BFA
Ing. Eduardo Medina Garay -	Agente de Crédito, UTFRA
Lic. Jose E. Martinez G. -	Sub-Gerente de Crédito, BCR
Lic. Oscar Moreno -	Gerente, Dpto. de Captación de Creditos, BFA
Lic. Alfonso Vidal Ceren -	Gerente de Crédito, BCR
Lic. Alfonso Vidal Ceren -	Jefe, Unida de Financiamiento Agropecuario, BCR
Ing. Pablo Toledo -	Agente de Crédito, Banco Salvadoreño
Ing. Agr. Leopoldo E. Palma -	Facilitador de ISTA
Juan Francisco Menendez -	Facilitador, ISTA
Ing. Vicente de Jesus Serpas -	Jefe, Dpto. Agropecuario, Banco de Comercio

AGENCIES, BANKS, AND COOPERATIVES VISITED

- Cooperative League of the U.S.A.
- Unidad Tecnica Para El Financiamiento de la Reforma Agraria
- United States Agency for International Development
- Banco Central de Reserva
- Banco de Fomento Agropecuario
- Banco Salvadoreño
- Banco de Comercio
- Banco Hipotecario
- Banco Agricola Comercial
- Banco Cuscatlan
- Banco de Fomento
- Banco de Desarrollo e Inversion
- Banco Central de Reserva
- Cooperativa Cara Sucia de R.L.
- Cooperativa Tonalá de R.L.
- Cooperativa Santa Clara No. 2
- Cooperativa La Carrera
- Cooperativa Nueva Guayapa
- Cooperativa Hoja de Sal
- Cooperativa Santa Fe

LIST OF ACRONYMS

ABANSA	Association of Salvadorean Bankers
A.I.D.	Agency for International Development
ASU	Arizona State University
BCR	Central Reserve Bank
ARC	Agrarian Reform Cooperatives
BFA	Banco de Fomento Agropecuario
CDS	Credit Delivery System
COOP	Cooperatives
CDU	Coordination Unit
CLUSA	Cooperative League of USA
FINATA	National Finance Office for Phase III Agrarian Reform Lands
GOES	Government of El Salvador
INCAFE	National Coffee Institute
ISTA	Salvadorean Institute for Agrarian Transformation
LOP	Life of Project
MAG	Ministry of Agriculture and Livestock
Mz	Manzanas
OPI	Irrevocable Payment Order
PFI (Mixed Banks)*	Participating Financial Institutions *Includes Banco Hipotecario, which is a private bank.
USAID	Agency for International Development of the United States
UTFRA	Unidad Tecnica Para El Financiamiento de la Reforma Agraria

ANNEX 5

LICOA	Law of Credit Institutions and Auxiliary Organizations
IFAIN	Latin American Institute of Agro-Industrial Promoting
ALIDE	Latin American Association of Development Financial Institutions
CCA	Contracting Corporation of America

102

Short Term In - Country Training

1987

Date	Name of Course	No. of Participants	Traning Setting	Sponsoring Agency
Nov-19-23/87	Formulation and-Evaluation of Projects	30	ABANSA	(IFAIN-with ASU)
Nov-9-30/87	Actualization of Financial and credit analysis	36	CREDISA	BCR
Dec 3-18/87	Analysis of Financial Status	22	ABANSA	BCR

Short Term In - Country Training

1988

Date	Name of Course	No. of Participants	Traning Setting	Sponsoring Agency
May 30 June 3/88	Implementation of Agro-Industrial Projects	29	ABANSA	BCR with ASU
July 18-29/88	Credit Decisions Maling (ALIDE)	22	ABANSA	BCR with ASU
Oct 3-7 and 27,28/88	Marketing of Indus-trial Products (AFAIN)	28	ABANSA	BCR with ASU
Nov 7/88	Training. for Mana-gers, Accountants and Advisers			

103

Short Term In - Country Training

1989

Date	Name of Course	No. of Participants	Traning Setting	Sponsoring Agency
January 89	Systematic Operation and Lotus	40	ABANSA	BCR with ASU
January 89	Application of Lotus	40	ABANSA	BCR with ASU
Feb 26-27/89	Integral Assistance to Reformed Agr. Sector	64	Tesoro Beach	ASU
March 11-20/89	Adm. of Cooperatives Reform Agr. Sector	168	Coatepeque	BCR
April 27- Nov 3/89	Office Administration (IFAIN)	28	Coatepeque	ASU
May 15-20/89	Modern Techniques of Coffe Culture	30	Coatepeque	BCR
July 17-21/89	Administration of Fincas (IFAIN)	38	Coatepeque	ASU
August 21-25/89	Training of Managers, accts. and advisers Adm. of Reformed Agr. Sector of Cooperatives	36		BCR
Sept. 18-22/89	Training of Accountants	29		
Sept-Oct 89	Advanced Lotus Application	40	ABANSA	BCR with ASU
Oct. 16-20/89	Training of Cooperative Managers	35		

**Short Term In - Country Training
1990**

Date	Name of Course	Training Agency	No. of Participants
Jan 29- Feb 2/90	Commerlization of coffee	Technoserve	52
Feb. 15-20/90	Promotional and Technical lectures	Isic-BCR	292
Feb- 12-16/90	Elaboration of information about cheeses	FEPADE/ENA	1
March 5-9/90	Systems of irri- gation	AID	34
March- 5-10/90	Production of cantalopes, melons and peppers by irri- irrigation for ex- portation	FUSADES/ENA	5
March 5-19/90	Cufain X11	IFAIN	3
March 5-30/90	Systems Operation of Lotus	Contractor	19
March 5-30/90	Maintenance of coffee plantati- ons	Technoserve	59
March- 14-16/90	Techniques of cultivation for higher production	UDES	5
March 19-23/90	Decisions on credit matters	IFAIN	51
April 4-6/90	Cultivation of pota- tos-aspects of pro- duction and commer- lization	FUSADES/DIVAGO	2

April 19-21/90	Administration of agriculture projects	" "	2
April 20- Oct 2/90	(20) Lectures on systems of irrigation	BCR	184
April (22) 24-31/90	Criteria for purchase, repair or to rent machi- nery or equipment	ISIC-BCR	1612
April 24- May 17/90	Cultivation of Bananas		376
April 25- June 1/90	Management of pas- tures for cattle	"	1068
May 7- 12/90	Production of tomatoes, onions, and cabbage as substitutions for impor- tation	FUSADES/DIVARGO	2
May 28- June 1/90	Evaluation of projects applied to ranches	IFAIN	23
July 3-(5) August- 11/90	Charlas projects formu- lated by 11CA	BCR	269
July 4- 6/90	Irrigation with water and fertilization	FUSADES/DIVARGO	2
July 11- 16/90	Management of pes- ticides in culti- vation of exporta- tion	FUSADES/DIVARGO	2
July 16- 21/90	Technology of the meat industry buthe- ring of cows, pigs and chickens	CEPADE/ENA	2
July 23- 27/90	Perforation, operation and maintenance of pipes for irrigation	FUSADES/DIVARGO	3
August 2 /90	Line of Credit	BCR	41

August 13/90	Design of irrigation for use by computer programs	FUSADES/DIVARGO	3
August 27 28.29/90	Production of shrimp of sweet water in tanks	FUSADES	42
Sept 3-7/90	Administration of plantation of coffee	Technoserve	54
Sept (2) 3-29/90	Systematic Operation of Lotus	Contractor	20
Sept 5/90	European market of fresh fruits and vegetables characteristics and opportunities	INCAE	2
Sept 11- Nov 12/90	(5) Lectures to Administrators, and BCR technicians of ISTA	BCR	198
Sept 17-21/90	Commeralization of melons for exportations	Technoserve/CLUSA	46
Sept 25- /90	Alternatives of organization for the cooperatives of cocoa	BCR-ISTA-BFA	71
Oct 1- 5/90	Commerlization of coffee	Technoserve	75
Oct 2/90	The mechanism for coordination UTFRA and BCR	BCR	40
Oct 29/ Nov 1/90	Non traditional cultivation for exportation	Technoserve	35
Nov 19- 23/90	Market of agricultural and agro industrial products	FUSADES	1
Nov 19- 30/90	Identification, evaluation and follow up of agriculture and agro-industrial projects.	Technoserve	49
Nov 24/90	Production of cocoa	CENTA	1

Nov 26- 30/90	Production and commercialization of broccolli, chile, and tomatoes	FUSADES/DIVARGO	5
Nov 26- 30/90	Production and commercialization of broccoili chile and tomatoes	FUSADES/DIVARGO	4
Dec 1/90	Potential of commercial cultivation	FUSADES	2

Short Term In - Country Training

1991

Date	Name of Course	Training Agency	No. of Participants
Jan 8/91	A promotional talk guarantee of funds for agriculture	UTFRA - BCR	12
Jan 11/91	A promotional talk on guarantee of funds	UTFRA - BCR	12
Jan 17/91	Coffee Studies	UTFRA - BCR	52
Jan 18/91	Promotional talk on guarantee of funds for agriculture	UTFRA - BCR	16
Jan 22/91	Promotional talk on guarantee of funds for agriculture	UTFRA - BCR	33
Jan 23/91	Promotional talk on guarantee of funds for agriculture	UTFRA - BCR	17
Jan 24/91	Promotional talk on guarantee of funds for agriculture	UTFRA - BCR	25
Jan 25/91	Promotional talk on guarantee of funds for agriculture	UTFRA - BCR	40

Feb- 4,5,&- 6/91	Modern techniques of coffee produc- tion	FEPADES/ISIC	2
Feb- 13-14/91	Adm. of Fincas of coffee	FEPADES/ISIC	1
Feb 13/91	Elaboration of studies to solicit finances for the purchase of machi- nery and equipment	UTFRA	57
Feb 14/91	Modern technology in the cultivation of coffee	UTFRA-ISIC	287
Feb 21/91	Field study Technology in the cultivation of coffee	UTFRA-ISIC	175
Feb 22/91	Promotional talk on guarantee of funds for agriculture	UTFRA-BCR	85
Feb 26/91	Field study - techno- logy of the cultiva- tion of coffee	UTFRA-ISIC	142
March- 12,13,& 14/91	Administration of fincas of coffee	FEPADES/ISIC	2
March- 18/91	Advancement of the vincular plan of UTFRA- ISIC	TFRA-BCR	34
March- 31/91	Promotional talk on guarantee of funds for agriculture	Technoserve	31
March- 20,21,& 22/91	Production and commer- cialization of orna- mental plants	FUSADES/DIVARGO	2

Short Term Out of Country Training

Date	Name of Course	No. of Participants	Training Setting	Sponsory Agency
Feb 15-26/87	Training in Banks	30	Dominican Republic	ASU

Short - Term Out of Country Training

1988

Date	Name of Course	No. of Participants	Training Setting	Sponsoring Agency
March 7-30/88	Formulation and Evaluation of Projects (IFAIN)	2	Costa Rica	ASU
May 16-29/88	Training programs for Banks	3	Brazil	ASU
May 30- June 3/88	Administration of Finances in cooperative savings and loans	4	Costa Rica	ASU

Short Term - Out of Country Training

1989

Date	Name of Course	No. of Participants	Training Setting	Sponsoring Agency
March May 17/89	Development of agro-industry	2	Costa Rica	ASU
July 9-22/89	Agroindustrial Advanced Management Program	4	Costa Rica	AID
Nov- 5-9/89	Observation and Study of Projects of Ocean shrimp	29	Honduras	ASU
Dec- 17-30/89	Observation trip shrimp laboratories	1	Panama	AID

Short Term - Out of Country Training

1990

Date	Name of Course	Traning Agency	No. of Participants
June- 11-15/90	Field trip to observe and study techniques in the production of coffee in Costa Rica	IFAIN	9
Nov- 12-17/90	Field trip for observation and study of technique for the production of coffee in Guatemala	S + M consultants Guatemala	36

Short Term - Out of Country Training

1991

Date	Name of Course	Traning Agency	No. of Projects
March 5- May 17/91	CUFAIN XIII	IFAIN	2

///

Documents Completed in Research, Policy Studies and Seminars

1. **System of granting credit**
2. **Costs of transactions in the financial system of El Salvador**
The research is reported in three separate documents:
 - a. **Costs of transactions at the level of banks**
 - b. **Costs of transactions at the level of depositors**
 - c. **Costs of transactions at the level of users**
3. **Factors which limit credit of beneficiaries of decree 207**
4. **The impact of AID project 519-0307 in the production and generation of unemployment**
5. **Mechanisms to reduce financial risks of banks**
6. **Creation of a guarantee fund for users of credit**
7. **Elaboration of a program of fund guarantee in agriculture for the small farmer**
8. **Agroindustries in the republic of El Salvador**
9. **Analysis of the function of credit agents for the beneficiaries of the agrarian reform sector**
10. **Design of a system for the formulation of project's for agricultural investment by computers**
11. **Three feasibility studies of ocean shrimp by the RPI international water culture firm of Hawaii for cooperatives San Arturo and El Peñon.**
12. **Recuperation and delays of the credit line of financing for the agrarian project AID 519-0307**
13. **Design for computers for: (a) System of follow-up of credits of the project 519-0307 a level of discount in central bank; (b) System to give follow-up of all the accounts of credit in the agrarian reform sector; (c) System for the operations of the guarantee fund for the little farmer and reform sector.**

REPORT ID: MARNP25
 OPTION NO: 4
 REPORT DATE: 04/05/91

USAID / EL SALVADOR
 PROJECT FINANCIAL STATUS REPORT
 AS OF: 03/31/91

REPORT PAGE NO: 23
 MISSION PAGE NO: 23

PROJECT NO : 5190307.00 PROJECT TITLE : AGRARIAN REFORM FINANCING PRJ PROJECT OFFICER : ANA LUZ DE MENA, RDO

PROJECT ELEMENT NO. GRANT OR LOAN EARMARK DOCUMENT NO. COMMIT. DOCUMENT NO. COMMIT. END DATE	PROJECT ELEMENT DESCRIPTION EARMARK DESCRIPTION COMMIT. DESCRIPTION AGENT/CONTRACTOR	OBLIGATION(D) EAR. RESV.(ER) EARMARK (E) COMMITMENT(C) COM. RESV.(CR)	DISBURSEMENTS	ACCRUALS	PIPELINE / UNLIQUIDATED	ADVANCE:
ELEMENT NO : 10	REDISCOUNT FUND	46,868,924 (D)	23,425,799	5,030,000	18,413,125	0
GRANT:						
JA-519-0307-06 JA-519-0307-06 073191	AMEND. 6 AGR. REFRM. FINANC. PRJ AMEND. 6 AGR. REFRM. FINANC. PRJ MIN DE AGRICULTURA	3,549,600 (E) 3,549,600 (C)	0	0	3,549,600	0
JA-519-0307-03 JA-519-0307-03 073191	REDISCOUNT FUND-SCR/AMEND 3 Y REDISCOUNT FUND-SCR/AMEND 3 BCD CENTRAL DE RESERVA (SCR)	6,849,064 (E) 6,849,064 (C)	1,224,691	5,000,000	24,373	0
JA-519-0307-04 JA-519-0307-04 073191	AMEND. 4-NEW BAL. REDISCOUNT F. Y AMEND. 4-NEW BAL. REDISCOUNT F. BCD CENTRAL DE RESERVA (SCR)	10,080,000 (E) 10,080,000 (C)	3,454,902	0	6,625,098	0
LCOM 519-0307-01 LCOM 519-0307-01 073191	SCR REDISCOUNT F./LCOM 307-01Y SCR REDISCOUNT F./LCOM 307-01 BCD CENTRAL DE RESERVA (SCR)	1,836,000 (E) 1,836,000 (C)	0	0	1,836,000	0
PA-519-0307-05 PA-519-0307-05 073190	AMEND. 5 AGR. REFRM. FINANC. PRJ AMEND. 5 AGR. REFRM. FINANC. PRJ MIN DE AGRICULTURA	6,186,000 (E) 6,186,000 (C)	0	0	6,186,000	0
PT-519-0307-3-60191 CG-5190307C0075760JLTA 073191	TECH ASSISTANCE/REFORM SECTOR L.T. ADVISOR/ARIZONA STATE U. ARIZONA STATE UNIV	574,625 (E) 574,625 (C)	535,633	0	39,992	0
PT-519-0307-3-60191 CG-5190307C0075760JLTA 073191	CORRECT POSTING PT 60191 M FULLY FUNG (LTA) REF. AMENC. 7 ARIZONA STATE UNIV	57,726 (E) 57,726 (C)	0	30,000	27,726	0
PT-519-0307-3-60191 CG-5190307C0075760JLTA 073191	INCR. PT 60191 PER AM 2 M FULLY FUNG (LTA) REF. AMENC. 7 ARIZONA STATE UNIV	125,336 (E) 125,336 (C)	0	0	125,336	0
LIQUIDATED EARMARKS		17,610,573 (E)	17,610,573			
ELEMENT TOTAL GRANT		46,348,924 (D)	23,425,799	5,030,000	18,413,125	0
ELEMENT NO : 10	TRAINING	2,011,752 (D)	1,473,591	61,104	477,077	0

13

REPORT ID: MRRMP19
 OPTIGN NO:
 REPORT DATE: 04/05/91

USAID / EL SALVADOR
 PROJECT FINANCIAL STATUS REPORT
 AS OF: 03/31/91

REPORT PAGE NO: 233
 MISSION PAGE NO: 233

PROJECT NO : 5190307.00 PROJECT TITLE : AGRARIAN REFORM FINANCING PRJ PROJECT OFFICER : ANA LUZ DE MENA, ROD

PROJECT ELEMENT NO. GRANT OR LOAN EARMARK DOCUMENT NO. COMMIT. DOCUMENT NO. COMMIT. END DATE	PROJECT ELEMENT DESCRIPTION EARMARK DESCRIPTION COMMIT. DESCRIPTION AGENT/CONTRACTOR	OBIGATION(S) EAR. RESV.(E) EARMARK (E) COMMITMENT(C) COM. RESV.(CR)	DISBURSEMENTS	ACCRUALS	PIPELINE / UNLIQUIDATED	ADVANCES
ELEMENT NO : 20	TRAINING					
GRANT:						
PT-519-0307-3-60191	TECH ASSISTANCE/REFORM SECTOR	1,477,871 (E)				
CO-5190307C00757600-PM	PRJ MANAGEMENT/ARIZONA STATE	663,085 (C)	318,250	41,510	303,325	0
073191	ARIZONA STATE UNIV					
CJ-5190307C00757600TRM	TRAINING/ARIZONA STATE UNIVER	814,786 (C)	651,656	19,594	143,536	0
073191	ARIZONA STATE UNIV					
PT-519-0307-3-60191	INCR PER AM. 2 PT 60191	33,820 (E)				
CO-5190307C00757600TRM	FULLY FUNG (TRM) REP.AMEND.7	33,820 (C)	3,604	0	30,216	0
073191	ARIZONA STATE UNIV					
LIQUIDATED EARMARKS						
ELEMENT TOTAL:GRANT		2,011,762 (G)	1,473,581	61,104	477,077	0
ELEMENT NO : 30	STUDIES					
GRANT:						
PT-519-0307-3-60191	TECH ASSISTANCE/REFORM SECTOR	541,375 (E)				
CO-5190307C00757600CSR	STUDIES/RESEARCH/ARIZONA STAT	541,375 (C)	437,027	0	104,348	0
073191	ARIZONA STATE UNIV					
LIQUIDATED EARMARKS						
ELEMENT TOTAL:GRANT		641,375 (G)	537,027	0	104,348	0
ELEMENT NO : 40	SAVINGS MOBILIZATION					
GRANT:						
LIQUIDATED EARMARKS						
ELEMENT TOTAL:GRANT		75,304 (G)	75,304	0	0	0
ELEMENT NO : 50	A.T.O. PROJECT ADMINISTRATION					
ELEMENT TOTAL:GRANT		232,057 (G)	231,858	0	199	0

A-27

114

REPORT ID: MAR909
 REPORT NO:
 REPORT DATE: 04/05/91

USAID / EL SALVADOR
 PROJECT FINANCIAL STATUS REPORT
 AS OF: 03/31/91

REPORT PAGE NO: 236
 MISSION PAGE NO: 236

PROJECT NO : 5190507.00 PROJECT TITLE : AGRARIAN REFORM FINANCING PROJ PROJECT OFFICER : ANA LUZ DE MENA, RDD

PROJECT ELEMENT NO. GRANT OR LOAN EARMARK DOCUMENT NO. COMMIT. DOCUMENT NO. COMMIT. END DATE	PROJECT ELEMENT DESCRIPTION EARMARK DESCRIPTION COMMIT. DESCRIPTION AGENT/CONTRACTOR	ALLOCATION(S) EAR. RESV.(E) EARMARK (E) COMMITMENT(C) COY. RESV.(CF)	DISBURSEMENTS	ACCRUALS	PIPELINE / UNLIQUIDATED	ADVANCES
ELEMENT NO : 50	A.I.D. PROJECT ADMINISTRATION					
GRANT:						
UNLIQUIDATED EARMARKS		231,850 (E)	231,850			
GRANT BALANCE AVAILABLE FOR EARMARK RESERVATION		199			199	
ELEMENT TOTAL:GRANT		232,057 (E)	231,850	0	199	0
ELEMENT NO : 60	EVALUATION					
GRANT:						
PT-519-0007-3-70295 T.A.(RSD)PRJ.GOALS & PURPOSES AVAILABLE FOR COMMITMENT/RESERVATION		66,700 (E) 66,700	57,309	0	68,370	0
UNLIQUIDATED EARMARKS		57,309 (E)	57,309			
GRANT BALANCE AVAILABLE FOR EARMARK RESERVATION		1,670			1,670	
ELEMENT TOTAL:GRANT		125,679 (E)	57,309	0	68,370	0
ELEMENT NO : 70	CONTINGENCY/INFLATION					
GRANT:						
PHONE CALLS/FAXS PHONE CALLS/FAXS 075191	PHONE CALLS/FAXS PHONE CALLS/FAXS ANYEL	434 (E) 434 (C)	248	86	100	0
GRANT BALANCE AVAILABLE FOR EARMARK RESERVATION		44,465			44,465	
ELEMENT TOTAL:GRANT		44,899 (E)	248	86	44,565	0
PROJECT TOTALS:						
GRANT TOTALS		50,000,000 (E)	25,801,126	5,091,190	19,107,684	0
LOAN TOTALS		0 (C)	0	0	0	0
PROJECT TOTAL		50,000,000 (C)	25,801,126	5,091,190	19,107,684	0

A-28

115

REPORT ID: MXRHP1
 OPTION NO: 4
 REPORT DATE: 04/05/91

USAYD / EL SALVADOR
 PROJECT FINANCIAL STATUS REPORT
 AS OF: 03/31/91

REPORT PAGE NO: 231
 MISSION PAGE NO: 231

PROJECT INFORMATION SUMMARY

PROJECT NO. : 5190367-00
 OFFICE CODE : 500
 LOAN NO. :
 ORIG AGY DATE: 07/31/96
 A. C. CONTRIB: 10,000,000

PROJECT TITLE : AGRARIAN REFORM FINANCING PRJ
 PROJECT OFFICER: ANA LUZ DE MENA, RDD
 IMPL AGENCY : BANCO CENTRAL DE RESERVA
 PACS : JRS 07/31/91 CURRENT 07/31/91
 NO OF REVISIONS 00
 TERM DISB DATE : 06/30/92

LOP FUNDING :
 LOP AUTHORIZED:
 AMT. ALLOWED :
 AMT. OBLIGATED:
 ACCRUED EXP. :
 PIPELINE/UNLIQ:

GRANT
 1,000,000
 50,000,000
 50,000,000
 50,000,000
 30,892,315
 19,107,635

LOAN
 1,000,000
 0
 0
 0
 0
 0

PROJECT SUMMARY BY BUDGET PLAN CODE

BPC	BUDGET ALLIANCE	OBLIGATED	EARMARKED/RESERVED	COMMITTED/RESERVED	NET ACCRUED EXPENDITURES	PIPELINE UNLIQUIDATED	ADVANCES
LCNA8625519K513	6,500,000	6,500,000	6,500,000	6,500,000	4,625,000	1,876,992	0
LCNA8725519K513	23,684,400	23,684,400	23,630,065	23,571,365	22,812,405	871,995	0
LCNA8825519K513	10,080,000	10,080,000	10,080,000	10,080,000	3,454,902	6,625,098	0
LCNA8925519K513	6,196,000	6,196,000	6,186,000	6,186,000	0	6,186,000	0
LCNA9025519K513	3,549,600	3,549,600	3,549,600	3,549,600	0	3,549,600	0
GRANT TOTAL	50,000,000	50,000,000	49,953,665	49,886,965	30,892,315	19,107,685	0
PROJECT TOTAL	50,000,000	50,000,000	49,953,665	49,886,965	30,892,315	19,107,685	0

BANCO CENTRAL DE RESERVA DE EL SALVADOR

**UNIDAD TECNICA PARA EL FINANCIAMIENTO
DE LA REFORMA AGRARIA**

ESTUDIO SOBRE LOS

RESULTADOS DEL PROYECTO AID 519-0307

Y

RECOMENDACIONES PARA SU EXTENSION

SAN SALVADOR

22 DE MARZO DE 1991

117

I N D I C E

	PAGINA NO.
I. INTRODUCCION	1
II. LINEA DE REDESCUENTO	2
A. OBJETIVOS	2
B. VOLUMEN DE CREDITO ALCANZADO	2
C. MORA Y RECUPERACION DE CREDITOS	3
D. PARTICIPACION DEL PROYECTO EN EL MONTO TOTAL DE CREDITOS OTORGADOS POR LOS BANCOS COMERCIALES AL SECTOR REFORMADO	4
E. OBSTACULOS PARA EL OTORGAMIENTO DE CREDITOS	5
F. MEDIDAS TOMADAS PARA SALVAR LOS OBSTACULOS	8
G. CONCLUSIONES Y RECOMENDACIONES	9
H. EXTENSION DEL PROYECTO	10
III. CAPACITACION	17
A. OBJETIVOS	17
B. RESULTADOS	17
C. CONCLUSIONES	21
D. RECOMENDACIONES	22
IV. ESTUDIOS DE POLITICAS Y SEMINARIOS	22
A. OBJETIVOS	22
B. RESULTADOS	22
C. CONCLUSIONES	24
D. RECOMENDACIONES	24
V. LA UNIDAD TECNICA PARA EL FINANCIAMIENTO DE LA REFORMA AGRARIA (UTFRA)	25
VI. ASISTENCIA TECNICA AL PROYECTO	26

ESTUDIO SOBRE RESULTADOS DEL PROYECTO AID 519-0307

Y RECOMENDACIONES PARA SU EXTENSION

I. INTRODUCCION

El Proyecto AID 519-0307 se firmó a mediados de 1986 por un monto de \$US 67 millones, de los cuales la AID aportó \$US 50 millones y el GOES \$US 17 millones en moneda local, por un período de cinco años que expira el 31 de julio de 1991, para responder a las necesidades adicionales de crédito del sector agrario reformado. En las cooperativas de la Fase I existía bastante necesidad de créditos de mediano y largo plazo que no se atendía por falta de recursos específicamente asignados para estos propósitos. El Proyecto AID 519-0307 surgió para cubrir esta necesidad. En 1985, como resultado de un análisis hecho por AID, se creó en el Banco Central el Programa de Agentes de Crédito con el propósito de financiar el nombramiento de agentes de crédito en los bancos para que trabajaran con las cooperativas en la identificación, formulación y trámite de proyectos de inversión. El Banco Central, utilizando recursos de una línea especial de \$9.6 millones creada en el Banco Central en 1983, reembolsaba a los bancos los gastos de operación de 20 agentes que fueron nombrados y asignados a los bancos comerciales e Hipotecario.¹

Un estudio de los mercados financieros rurales y movilización de depósitos, completado en marzo de 1985, reveló que existía una demanda de crédito aún no satisfecha en el sector reformado por \$37 millones (¢185 millones) de los cuales \$29 millones (¢145 millones) eran créditos de inversión de mediano y largo plazo. Esto sirvió de base para justificar el Proyecto AID 519-0307.²

El Proyecto 519-0307 adoptó el esquema de agentes de crédito para promover el uso de sus recursos. El Programa de Agentes de Crédito se reestructuró en 1989, convirtiéndose en la actual Unidad Técnica para el Financiamiento de la Reforma Agraria (UTFRA) del Banco Central, responsable de la implementación de los componentes del Proyecto.

¹Cuando este programa terminó en 1988, se extendió hasta 1991 con la modificación de que la aportación del BCR sería en escala descendente.

²"Project Paper", Financiamiento a la Reforma Agraria, página 12

El Proyecto originalmente contenía cuatro componentes: (a) Línea de Redescuento en el Banco Central por ₡300 millones (₡230 millones de donación de AID (\$46 millones) y ₡70 millones de contrapartida GOES); (b) Capacitación al personal de los bancos; (c) Estudios de políticas y seminarios sobre crédito; y, (d) Movilización de ahorros por parte del Banco de Fomento Agropecuario. Los resultados han sido positivos en todos sus componentes, excepto el de movilización de ahorros que fue eliminado por la AID.

Sin embargo, aún no se ha utilizado la totalidad de los fondos asignados para crédito. De los fondos de donación de \$46 millones se han utilizado \$24.8 millones -incluyendo \$1.6 millones en trámite- equivalente al 53.9%. De los fondos de contrapartida de ₡70 millones se han recibido ₡62 millones -incluyendo ₡15 millones en trámite- equivalente a 88.5%. El uso más lento de los fondos de donación se ha debido a varias causas que son analizadas en el presente documento, junto con los resultados alcanzados y recomendaciones para la extensión del Proyecto a fin de lograr el uso de la totalidad de los fondos asignados.

El documento está organizado en seis secciones: Introducción, Línea de Redescuento, Capacitación, Estudios de Políticas y Seminarios, la Unidad Técnica para el Financiamiento de la Reforma Agraria y Asistencia Técnica.

II. LÍNEA DE REDESCUENTO

A. OBJETIVOS

El objetivo principal es cubrir las necesidades de crédito de corto, mediano y largo plazo de los beneficiarios de la reforma agraria, dando especial atención al financiamiento de proyectos de inversión (mediano y largo plazo) y a los cultivos no tradicionales de exportación.

B. VOLUMEN DE CREDITO ALCANZADO

Aunque el Proyecto se aprobó a mediados de 1986, las actividades de crédito se iniciaron en 1987 y la asistencia técnica al Proyecto -contratada por la AID con la Universidad Estatal de Arizona (ASU)-, se inició a fines de ese año, por lo que la implementación real del proyecto a diciembre de 1990 es de cuatro años.

Se han otorgado créditos a nivel del Banco Central, por ₡340.1 millones de los cuales a diciembre 31 de 1990 se habían desembolsado ₡288.7 millones y había ₡20 millones en proceso de desembolso. La diferencia de ₡31.4 millones son montos no desembolsados por diversas causas ya que el sistema de entrega es a base del progreso de las labores de campo. Al 31 de diciembre de

1990 se había recuperado a nivel del Banco Central ₡134.2 millones con un saldo de cartera de ₡154.5 millones, Cuadro 1.

Cuadro 1. Volumen de Créditos Otorgados a Nivel del Banco Central Bajo el Proyecto AID 519-0307. Al 31 de diciembre de 1990 (₡ millones)

Concepto	Fase I	Fase III	Total
Monto Contratado	319.4	20.7	340.1
Monto Desembolsado	269.2	19.5	288.7
Monto Recuperado	130.7	3.5	134.2
Saldo de cartera	138.5	16.0	154.5

En términos de dólares, al 31 de diciembre de 1990 el Banco Central había contratado \$56.1 millones, y desembolsado \$46.4 millones suma que es igual al monto de la donación. Sin embargo, a esa misma fecha quedaban \$21.2 millones de la donación de AID y ₡23 millones de la asignación de la contrapartida, pendiente de utilizar, debido a una serie de obstáculos que han impedido una mayor utilización de los fondos de la Línea y al uso de las recuperaciones como fuente sustitutiva para el otorgamiento de créditos al sector reformado.

C. MORA Y RECUPERACION DE CREDITOS

A nivel de redescuento en el Banco Central no se produce mora porque los montos vencidos se cargan a la cuenta corriente que cada banco mantiene en el Banco Central para efectos del requerimiento de encaje.

La mora se produce en los créditos entre los bancos intermediarios y los usuarios. Las recuperaciones entre los bancos y los usuarios son muy buenas a la fecha. El porcentaje de recuperación a diciembre 31, 1990 era de 96.9% y la mora de sólo 3.0%, aún incluyendo los créditos morosos que la banca le vendió al GOES en 1990, los cuales ya no están en la cartera del Proyecto. Si no se incluyen los créditos vendidos, la recuperación es del 99% y la mora del 1%. Cuadro 2.

Cuadro 2. Mora y Recuperación de los Créditos Otorgados por los Bancos al Sector Agrario Reformado con Recursos del Proyecto AID 519-0307 Al 31 de diciembre de 1990

	Con Venta de Cartera	Sin Venta de Cartera
Monto desembolsado por los bancos (¢ millones)	276.6	296.2
Monto Recuperado (¢ millones)	143.4	143.4
Saldo de Cartera (¢ millones)	133.2	152.8
Mora (¢ millones)	1.4	4.6
Por ciento de mora (%)	1.0	3.0
Por ciento de Recuperación (%)	99.0	96.9

El bajo índice de morosidad está influenciado por: (a) muchos de los créditos de inversión están comenzando en 1990 a tener cuotas en vencimiento; (b) aún no se tienen resultados del Banco de Fomento Agropecuario que ingresó al Proyecto en 1990, y (c) el grueso de los montos recuperados son créditos de avío café protegidos por un buen sistema de comercialización que facilita la recuperación mediante el esquema de órdenes de pago irrevocables a favor de los bancos. Debe esperarse, sin embargo, que los resultados sobre la recuperación continuarán siendo satisfactorios por el peso relativo que tiene el café en la composición de la cartera de créditos.

D. PARTICIPACION DEL PROYECTO EN EL MONTO TOTAL DE CREDITOS OTORGADOS POR LOS BANCOS COMERCIALES AL SECTOR REFORMADO

El Cuadro 3 muestra la creciente importancia relativa del Proyecto en los financiamientos al sector reformado. En 1990, el Proyecto contribuyó con el 64% del total del crédito otorgado al sector reformado, comparado con el 27.2% en 1987.

Cuadro 3. Participación del Proyecto 519-0307 en el Monto Total de Créditos Otorgados por el Banco Central a los Bancos Comerciales para el Sector Agrario Reformado, 1987 - 1990.

Año	Total Créditos otorgados al sector reformado por banca mixta (¢ 000,000)	Monto con recursos Proyecto AID 519-0307 (¢ 000,000)	Porcentaje con recursos Proyecto %
1987	201.8	54.8	27.2
1988	205.3	56.8	27.7
1989	193.6	78.0	40.3
1990	177.4	113.6	64.0

La distribución de los montos redescontados (desembolsados) por el Banco Central se presenta en el Cuadro 4, separadamente para créditos de avío y de inversión. Los créditos de avío aumentaron rápidamente en 1990 en parte por el efecto de la eliminación de algunas restricciones en el uso de los fondos del Proyecto. Los créditos de inversión se incrementaron por la acción directa de la UTFRA en la promoción de proyectos específicos, especialmente café.

Cuadro 4. Montos Desembolsados por el Banco Central para Avío e Inversión Bajo el Proyecto AID 519-0307 (¢ millones)

Año	A v í o		I n v e r s i ó n	
	Monto	Porcentaje Aumento Acumulado	Monto	Porcentaje Aumento Acumulado
1987	30.9	-.-	12.2	-.-
1988	33.4	8.1	21.0	72.1
1989	37.9	21.6	19.2	63.5
1990	110.7	213.7	23.5	85.9

E. OBSTACULOS PARA EL OTORGAMIENTO DE CREDITOS

El monto de los créditos otorgados, aunque significativo, no ha alcanzado aún el volumen suficiente para utilizar todos los recursos asignados en el período previsto, si se toma en cuenta la "demanda" de crédito insatisfecha identificada en 1985.

Esta demanda era más una necesidad de crédito que una demanda efectiva. El Proyecto proveyó recursos a las cooperativas por medio de la Línea de Redescuento a los bancos y éstos son responsables ante el Banco Central por el pago de los créditos a su vencimiento, independientemente de que los usuarios hayan pagado. Por consiguiente, los bancos evalúan las solicitudes de crédito de las cooperativas frente a su record de pago independientemente de la rentabilidad de los proyectos, lo cual afecta el otorgamiento de nuevos créditos con recursos del Proyecto. Aunque el record de pago de los créditos otorgados con recursos de la línea es bueno, no ha sido así con créditos otorgados con otros recursos para destinos de mayor riesgo. Como los bancos evalúan al usuario y no a un proyecto individual, un record de pago deficiente afecta a los créditos a otorgarse con recursos del Proyecto.

Los obstáculos principales se agrupan en dos grandes categorías: (a) estrategia de implementación del Proyecto, y (b) obstáculos externos al Proyecto.

1. Estrategia de Implementación del Proyecto.

Los principales obstáculos en la estrategia de implementación han sido:

a. Durante los primeros tres años medio de vida del Proyecto se excluyó al Banco de Fomento Ag. pecuario debido a incumplimiento de obligaciones relacionadas con otros proyectos de AID. El BFA tiene asignadas más de la mitad de las cooperativas de la Fase I de la reforma agraria y es el único banco que atiende las necesidades de crédito de los pequeños productores de la Fase III.

b. Inicialmente se estableció que sólo se financiarían proyectos de inversión y posteriormente se debería dar atención especial al financiamiento de productos de exportación no tradicionales. Estas son las dos categorías de proyectos más difíciles de obtener créditos por el riesgo, altas inversiones y falta de experiencia de las cooperativas y de los bancos.

c. Con la excepción de un monto limitado para café y los cultivos de exportación no tradicionales, los créditos de corto plazo -avío-estuvieron excluidos inicialmente. Se consideró que existían líneas especiales del BCR para cubrir esta demanda.

d. El Proyecto se implementó utilizando el Programa de Agentes de Crédito del BCR que reembolsaba a los bancos los costos de los agentes. Sin embargo, no se nombraron todos los agentes de crédito que el Programa había previsto y, más aún, se permitió que el Programa expirara apenas un año después de iniciado el Proyecto AID 519-0307. Aunque a solicitud del Banco Central, se estableció un nuevo esquema a base de reducir progresivamente el aporte económico a los bancos, ya se había creado incertidumbre y se había perdido el impulso. Los bancos comenzaron a utilizar los agentes

de crédito para tramitar los créditos tradicionales de avío, reduciendo el tiempo para la identificación y formulación de proyectos de inversión.

e. Se estableció que el crédito otorgado con recursos del Proyecto no podía sustituir los recursos que el BCR estaba haciendo disponible para el sector reformado, utilizando 1985 como el año base.

f. La debilidad administrativa de las cooperativas continúa siendo uno de los principales obstáculos para ampliar su acceso a los bancos. Cuando se diseñó el Proyecto se reconoció esta limitación pero se excluyó su atención porque existían otros programas para atender esta área, sin embargo, éstos finalizaron en 1987.

2. Obstáculos Externos al Proyecto

Aparte de los efectos negativos de la estrategia de implementación, el Proyecto ha tenido que enfrentar serios obstáculos. Los principales son:

a. El arrastre de deudas morosas que se han venido refinanciando como un artificio para otorgar nuevos créditos. Esto ha obligado a los bancos comerciales a ser muy cautelosos en el otorgamiento de nuevos créditos de inversión de mediano y largo plazo, así como créditos para productos de exportación no tradicionales.

b. Ausencia de garantías reales aceptables a la banca comercial, lo cual aumenta el riesgo bancario y afecta la posibilidad de nuevos créditos de alto riesgo.

c. Ingresos reducidos de las cooperativas por efectos de aumento en los costos de producción de cultivos tradicionales, incluyendo incrementos en las tasas de interés, unido a precios deprimidos. En el caso de cultivos de exportación no tradicionales, que pueden generar mayores ingresos, el obstáculo es el alto riesgo debido a la propia naturaleza del mercado y falta de experiencia de los productores y de los bancos.

d. El diferencial de intermediación que han recibido los bancos no ha sido suficiente para compensar el riesgo de otorgar créditos al sector reformado.

e. La privatización de la banca, al menos en el período de transición, está creando mayor cautela en el otorgamiento de créditos al sector.

f. La violencia en la zona rural por motivo de la guerrilla continúa impidiendo que un número significativo de cooperativas

tengan acceso al crédito.

F. MEDIDAS TOMADAS PARA SALVAR LOS OBSTACULOS

El Banco Central y la AID han trabajado en estrecha coordinación y colaboración para tomar medidas a efecto de salvar los obstáculos encontrados.

Las principales medidas de impacto positivo tomadas son las siguientes:

1. El 27 de julio de 1990, la AID autorizó la incorporación del Banco de Fomento Agropecuario al Proyecto. Se estableció un monto inicial equivalente a \$US 5 millones. A finales de diciembre de 1990 el BFA había redescontado casi la totalidad, incluyendo unos 3,000 créditos para los beneficiarios del Decreto 207. Para el presente año, el BFA ha sometido un Plan de Crédito de \$94.7 millones con recursos del Proyecto que constituye el 43.2% de las metas totales de la UTFRA que ascienden a \$219.4 millones.
2. El 4 de septiembre de 1990 la AID, a solicitud del Banco Central, eliminó el requerimiento de adicionalidad, en base a un análisis realizado por el Banco con la asesoría de la Universidad Estatal de Arizona. El análisis demostró que la eliminación del requisito de la adicionalidad permitiría: (a) utilizar los fondos del Proyecto para cubrir toda la demanda de crédito del sector reformado, (b) acelerar el uso de los fondos de crédito sin alterar los objetivos originales, (c) liberar recursos para atender la demanda insatisfecha del sector productivo no reformado, y (d) ninguna de estas medidas tendría efectos inflacionarios adicionales. Esta medida contribuyó en parte a que los créditos otorgados por la banca en 1990, con recursos del Proyecto, aumentaran en un 45.6% sobre el año anterior.
3. Durante 1990, como parte del Programa de Rehabilitación Financiera de las Asociaciones Cooperativas del Sector Reformado, el GOES compró a los bancos las deudas morosas que tenían con las cooperativas de la reforma agraria así como los créditos vigentes de las cooperativas clasificadas como "D" y "E". Se compró un total de \$435 millones, que tuvo el efecto de reducir la carga financiera a corto plazo. La posición de las cooperativas frente a los bancos ha mejorado, aunque esto no necesariamente significa que los bancos estarán totalmente dispuestos a otorgar nuevos créditos.
4. Como parte del mismo Programa de Rehabilitación Financiera, se creó, a finales de 1990, el Fondo de Garantía Agropecuario que servirá para complementar las garantías que ofrecen las cooperativas e incentivar a los bancos a otorgarles créditos, especialmente de mediano y largo plazo.

5. Para promover los proyectos de inversión se ha introducido la modalidad de crédito administrado consistente en que los recursos financieros y la asistencia técnica se planifiquen y lleguen al productor en forma adecuada, oportuna y bien coordinada. Esta modalidad está dando muy buenos resultados en el Proyecto Especial de Renovación y Siembra de Café y se está ampliando a los cultivos de exportación no tradicionales, pequeñas obras de riego, maquinaria y equipo, cultivo de camarón de agua dulce y de mar y proyectos agroindustriales.

6. Ante el problema administrativo de las cooperativas, la UTFRA ha impartido cursos sobre administración de empresas agropecuarias y contabilidad y elaboración de estados financieros. Además, por iniciativa de la UTFRA, los bancos han comenzado a condicionar los créditos de algunas cooperativas al nombramiento de gerentes capacitados para su dirección. Por otra parte, se está colaborando en la selección de cooperativas que dentro del programa de Technoserve recibirán asistencia técnica y administrativa.

G. CONCLUSIONES Y RECOMENDACIONES

El Proyecto AID 519-0307 ha tenido resultados positivos y de mucha importancia para el sector agrario reformado. Sin embargo, por razones expuestas en este documento, no se ha utilizado la totalidad de los recursos. Tampoco podrá lograrse en los pocos meses que restan a la vida del Proyecto.

Considerando que las medidas adoptadas para mejorar la utilización más intensiva de los fondos ya están dando resultados positivos, se estima pertinente que el plazo del Proyecto AID 519-0307 debe extenderse. Esta extensión permitiría lograr los objetivos siguientes:

1. Utilizar la totalidad del monto asignado a la Línea Especial de Crédito para el sector reformado y asegurar que se constituya un fondo suficiente para atender todas las necesidades de financiamiento del sector.

2. Consolidar el acceso de las cooperativas del sector reformado al sistema financiero, particularmente a la banca comercial.

3. Establecer un mecanismo permanente que incorpore la asistencia técnica en el desarrollo de los proyectos de inversión y productos de exportación no tradicionales con el objeto de fortalecer la relación comercial banco-cooperativas.

4. Consolidar las operaciones del Fondo de Garantía Agropecuario como un importante instrumento para la ejecución de proyectos de alta inversión y riesgo.

5. Consolidar las operaciones de la UTFRA, como Unidad especializada del Banco Central, para promover y dar seguimiento al uso de los recursos disponibles para el otorgamiento de créditos al sector reformado e identificar obstáculos al acceso del crédito y proponer soluciones, así como darle permanencia al programa de capacitación que actualmente se está desarrollando.

H. EXTENSION DEL PROYECTO

Se recomienda extender el Proyecto hasta diciembre de 1993 a fin de asegurar el uso total de los recursos, tomando en cuenta los resultados a la fecha y el potencial del sector reformado.

Con las medidas tomadas en 1990 se estima que las operaciones de crédito se incrementarán hasta alcanzar un volumen de \$326.6 millones en 1993. Cuadro 6.

Cuadro 6. Créditos Otorgados con Recursos del Proyecto AID 519-0307
(\$ millones)

Año	Banca Comercial	BFA	Total
Histórico			
1987	54.8	--	54.8
1988	56.8	--	56.8
1989	78.0	--	78.0
1990	113.6	36.8	150.4
Estimado			
1991	124.7	94.7	219.4
1992	152.7	115.5	268.2
1993	185.6	141.0	326.6

Los montos estimados para 1991 son las metas de la UTFRA basadas en información de proyectos identificados conjuntamente con los bancos; y un crecimiento del 22% anual para la banca comercial y BFA para 1992 y 1993, tomando en consideración el efecto esperado del Fondo de Garantía y el incremento en el costo de los insumos de producción principalmente mano de obra y fertilizantes.

Se estima que el monto total de créditos otorgados al sector reformado haya alcanzado \$398.6 millones para 1993, de los cuales el Proyecto otorgaría \$326.6 millones, equivalente al 81.9%, comparado con 49.8% en 1990, Cuadro 7.

Cuadro 7. Créditos Otorgados al Sector Reformado y Participación del Proyecto AID 519-0307.
1987 - 1993

AÑO	TOTAL OTORGADO REFORMA AGRARIA (C000,000)	OTORGADO PROYECTO 519-0307 (C000,000)	POR CIENTO
HISTORICO -----			
1987	338.3	54.8	16.2
1988	312.0	56.8	18.2
1989	314.9	78.1	24.8
1990	302.3	150.4	49.8
ESTIMADO -----			
1991	322.8	219.4	68.0
1992	356.0	268.2	75.3
1993	398.6	326.6	81.9

El Cuadro 8 presenta el flujo de efectivo del proyecto estimado para los años 1991, 1992 y 1993.

Los supuestos considerados para elaborar el flujo de efectivo son los siguientes: (a) un incremento del 56.5% en 1991 por efecto de la incorporación del BFA y eliminación del requerimiento de adicionalidad; (b) un crecimiento anual del 22% en los montos de crédito desembolsados en 1992 y 1993, tomando en cuenta el efecto del Fondo de Garantía y mantener al BFA participando en el Proyecto; (c) una disponibilidad en caja de \$40 millones para atender redescuentos de los bancos; (d) utilización de las recuperaciones para otorgar nuevos créditos, y (e) la capitalización de intereses recibidos por el BCR luego de descontar la comisión del BCR y los gastos de la UTFRA.

129

CUADRO 8. FLUJO DE EFECTIVO LINEA ESPECIAL DE CREDITO 519-0307
(VALOR EN MILES DE COLONES)

CONCEPTO	1991					1992					1993				
	1	2	3	4	VLS.ACUM/91	1	2	3	4	VLS.ACUM/92	1	2	3	4	VLS.ACUM/93
SALDO INICIAL DCR.	20,091.4	49,753.2	120,048.4	44,000.7	20,091.4	40,000.0	55,209.7	173,118.7	83,624.5	40,000.0	40,000.0	40,000.0	100,046.9	72,045.2	40,000.0
RECUPERACIONES	5,832.9	100,047.6	6,810.1	3,604.8	124,303.4	10,849.0	140,344.1	11,901.4	6,291.1	109,647.4	13,550.1	192,306.1	14,590.3	7,657.5	228,200.0
-S/CREDITOS DE INVERSION	4,322.0	3,110.2	4,171.9	2,094.7	13,707.6	0,617.5	6,150.6	0,005.2	4,059.6	26,912.9	10,009.1	7,604.0	9,937.4	4,900.5	33,500.0
-BANCA MIXTA	4,322.0	3,110.2	4,171.9	2,094.7	13,707.6	2,745.0	4,100.4	2,299.1	7,399.4	17,951.9	7,637.1	2,292.0	6,944.9	7,499.7	73,487.0
-SFA.	0.0	0.0	0.0	0.0	0.0	2,872.3	2,050.2	2,299.1	7,399.4	8,971.0	5,254.0	2,292.0	2,973.2	1,491.0	10,012.2
-S/CREDITOS DE AVIO	1,510.1	104,929.4	2,646.2	1,510.1	110,595.8	2,231.5	154,395.5	3,096.2	2,231.5	162,734.7	2,649.0	104,701.3	4,640.7	2,649.0	194,700.0
-BANCA MIXTA	1,510.1	104,929.4	2,646.2	1,510.1	110,595.8	1,444.5	101,221.6	2,350.2	1,444.5	104,674.0	1,747.9	122,327.2	2,981.2	1,747.9	170,900.0
-SFA.	0.0	0.0	0.0	0.0	0.0	786.6	53,173.9	745.6	786.6	58,060.7	901.1	82,378.6	1,659.5	901.1	23,800.0
REEMBOLSOS	27,651.3	0.0	0.0	59,300.3	86,951.6	19,600.0	0.0	0.0	30,052.3	49,652.3	4,691.9	0.0	0.0	60,294.1	64,900.0
-AID. (DONACION)	27,651.3	0.0	0.0	59,300.3	86,951.6	0.0	0.0	0.0	30,052.3	49,652.3	4,691.9	0.0	0.0	60,294.1	64,900.0
-GOES. (CONTRAPARTIDA)	0.0	0.0	0.0	0.0	0.0	19,600.0	0.0	0.0	0.0	19,600.0	0.0	0.0	0.0	0.0	0.0
INTERESES CAPITALIZADOS (NETO)	0.0	0.0	0.0	10,000.0	10,000.0	0.0	0.0	0.0	15,000.0	15,000.0	0.0	0.0	0.0	20,000.0	20,000.0
DEBENDOSOS	12,620.4	37,754.3	62,705.9	76,745.7	210,146.4	15,159.3	42,717.2	101,475.5	94,968.0	254,319.9	10,250.0	51,519.1	122,600.1	114,976.2	307,345.4
-S/CREDITOS DE INVERSION	5,165.7	14,000.9	21,047.7	5,497.3	47,391.7	6,177.9	17,795.6	26,126.6	6,574.2	54,674.2	7,402.3	21,323.9	31,306.8	7,077.6	67,910.6
-EN AÑOS ANTERIORES AL AÑO	1,422.1	4,096.9	6,015.0	1,513.5	13,047.5	1,706.6	4,916.3	7,217.9	1,016.2	15,657.0	2,047.9	5,099.6	8,461.5	2,179.5	10,700.4
-BANCA MIXTA	792.0	2,027.2	3,036.2	792.0	6,967.2	823.0	2,423.0	3,223.0	899.0	7,740.3	1,012.2	2,919.6	4,395.2	1,070.6	8,290.2
-SFA.	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
-DEL AÑO	3,743.6	10,704.0	15,032.7	3,983.8	34,344.2	4,471.3	12,879.3	18,908.7	4,757.9	41,017.2	5,384.3	15,424.4	22,645.3	5,006.2	49,122.2
-BANCA MIXTA	1,486.2	4,201.2	6,297.1	1,486.2	13,434.6	2,777.0	7,196.0	11,494.9	2,892.9	24,730.1	3,233.2	9,197.7	13,693.2	3,227.1	18,427.5
-SFA.	2,257.4	6,502.8	8,735.6	2,497.6	20,909.6	1,694.3	5,703.3	7,413.8	1,865.0	16,287.1	2,151.1	6,226.7	8,952.1	1,779.1	20,694.7
-S/CREDITOS DE AVIO	7,454.7	22,073.4	60,938.2	71,400.4	162,754.7	8,901.4	24,921.6	75,348.9	88,393.8	197,643.7	10,047.7	30,195.2	91,293.3	107,000.6	239,434.0
-EN AÑOS ANTERIORES	2,454.7	0.0	0.0	0.0	2,454.7	2,454.7	0.0	0.0	0.0	2,454.7	2,454.7	0.0	0.0	0.0	2,454.7
-BANCA MIXTA	1,176.0	0.0	0.0	0.0	1,176.0	1,176.0	0.0	0.0	0.0	1,176.0	1,176.0	0.0	0.0	0.0	1,176.0
-SFA.	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
-DEL AÑO	5,000.0	22,073.4	60,938.2	71,400.4	160,300.0	6,446.7	24,921.6	75,348.9	88,393.8	195,189.0	7,593.0	30,195.2	91,293.3	107,000.6	236,979.3
-BANCA MIXTA	3,000.0	7,473.2	21,047.7	23,120.0	54,900.0	2,000.0	8,422.2	25,444.0	29,873.2	63,000.0	3,449.0	10,112.0	28,379.0	33,822.0	75,000.0
-SFA.	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
SALDO FINAL DCR.	49,753.2	120,048.4	44,000.7	40,000.0	40,000.0	55,209.7	173,118.7	83,624.5	40,000.0	40,000.0	40,000.0	100,046.9	72,045.2	45,040.6	45,040.6

130

El Cuadro 9 presenta un resumen anual del flujo de efectivo. Durante los tres años 1991-1993 se utilizarían C\$165.8 millones de donación adicionales equivalente a \$20.9 millones, agotándose todos los fondos de donación y de contrapartida aún disponibles. En adición, se recibirían C\$34.6 millones de contrapartida equivalente a \$4.3 millones. Los fondos de contrapartida están constituidos por C\$ 15 millones en trámite en SETEFE y C\$19.6 millones de una asignación de C\$29.6 millones programado para 1990 pendiente de recibir.

**Cuadro 9. Flujo de Efectivo Resumido Estimado para Operaciones de Crédito del Proyecto AID 519-0307
1991 - 1993
(C\$ millones)**

C O N C E P T O	1991	1992	1993
Saldo inicial en BCR	28.9	40.0	40.0
Recuperaciones	124.3	189.7	228.2
Intereses	10.0	15.0	20.0
Contrapartida	15.0	19.6	--
T O T A L	178.2	264.3	288.2
Desembolsos			
Inversión	47.4	56.7	67.9
Avío	162.7	197.6	239.4
T O T A L	210.1	254.3	307.3
SALDO	(31.9)	10.0	(19.1)
Donación Proyecto	71.9	30.0	64.9
SALDO DESEADO	40.0	40.0	45.8

El uso de los fondos de donación podría acelerarse si el Fondo de Garantía Agropecuario tiene el efecto de cambiar sustancialmente la actitud de los bancos hacia los créditos de inversión. Además existe la posibilidad de desarrollar algunos de los proyectos de camarón de mar y de agua dulce que han sido formulados y que serán

promovidos en 1991, para lo cual ya se han iniciado conversaciones con FUSADES.

Los redescuentos en el Banco Central aumentarían de ¢134.2 millones en 1990 a ¢307.3 millones en 1993, las recuperaciones aumentarían de ¢64.3 millones a ¢228.2 millones y el saldo de cartera del Proyecto aumentaría de ¢154.5 millones a ¢384.0 millones, Cuadro 10.

Cuadro 10. Desembolsos, Recuperaciones y Saldos de Cartera Bajo el Proyecto AID 519-0307
1987 - 1993
(¢000,000)

A Ñ O	DESEMBOLSADO	RECUPERADO	SALDO
Histórico -----			
1987	43.1	2.3	40.8
1988	54.3	31.8	63.3
1989	57.1	35.8	84.6
1990	134.2	64.3	154.5
Estimado -----			
1991	210.1	124.3	240.3
1992	254.3	189.7	304.9
1993	307.3	228.2	384.0

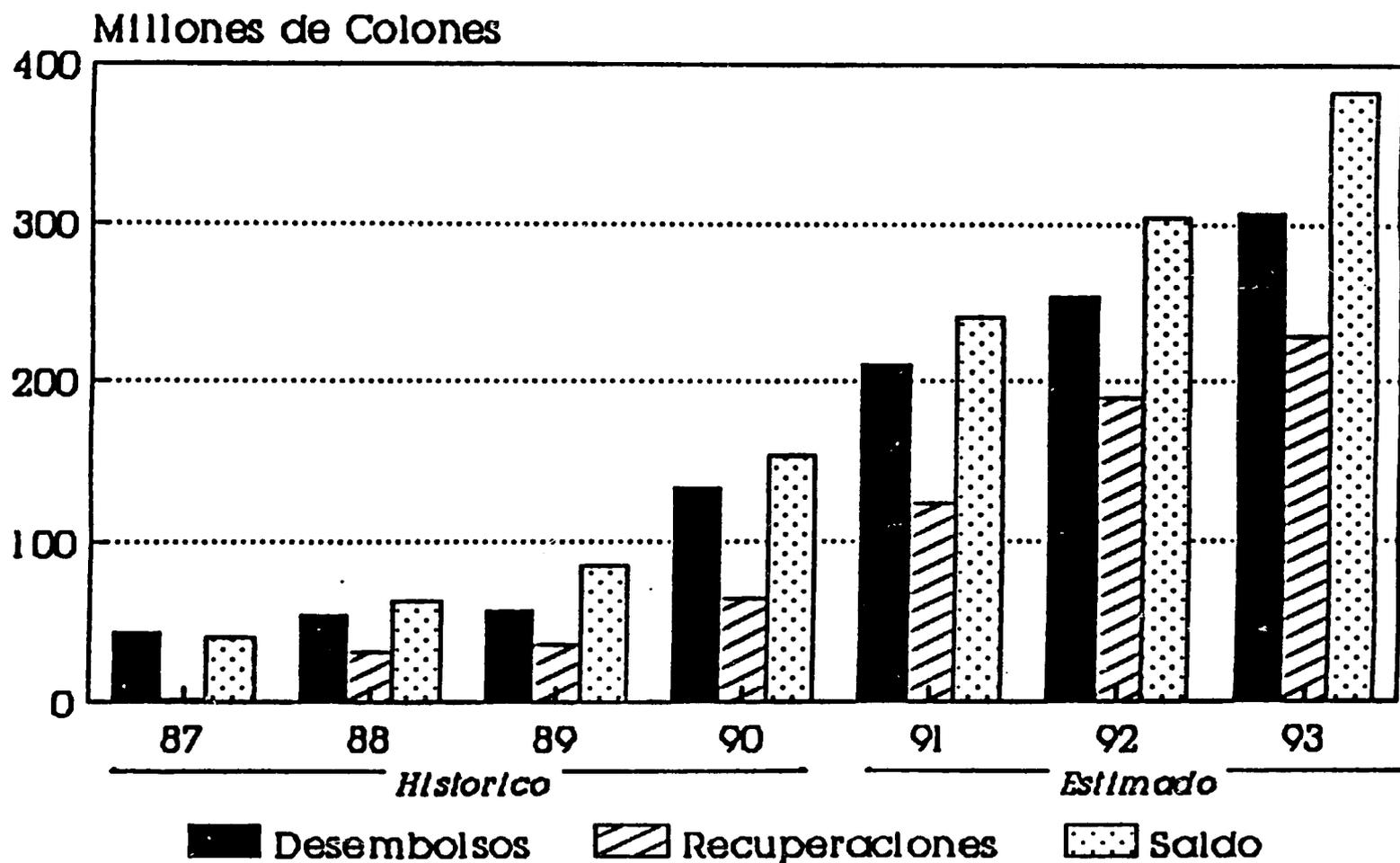
El crecimiento de la cartera distribuido por avío e inversión se muestra en Cuadro 11. Es importante notar el aumento significativo en los créditos de inversión de un saldo de ¢60.8 millones en 1990 a ¢158.6 millones en 1993.

Cuadro 11. Saldos de Cartera Acumulados para Créditos de Avío e Inversión bajo Proyecto AID 519-0307
1987 - 1990 y Estimados 1991 - 1993

A Ñ O	INVERSION	AVIO	TOTAL
Histórico -----			
1987	12.2	28.6	40.8
1988	31.4	31.9	63.3
1989	46.7	37.9	84.6
1990	60.8	93.7	154.5
Estimado -----			
1991	94.4	145.9	240.3
1992	124.1	180.7	304.9
1993	158.6	225.4	384.0

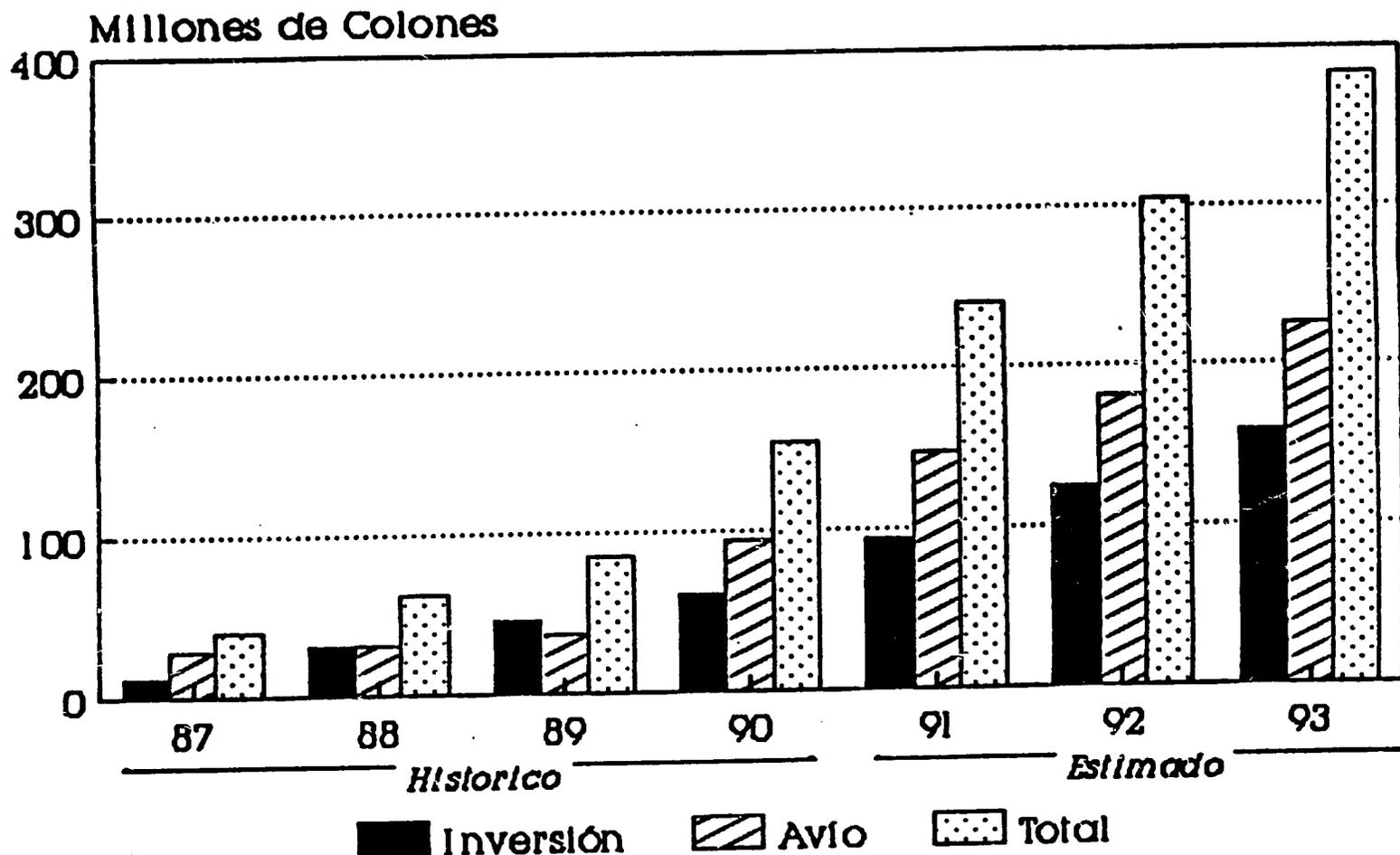
132

DESEMBOLSOS, RECUPERACIONES Y SALDOS DE CARTERA BAJO EL PROYECTO AID 519-0307



133

SALDOS DE CREDITOS DE INVERSION, AVIO Y TOTAL BAJO EL PROYECTO AID 519-0307



1601

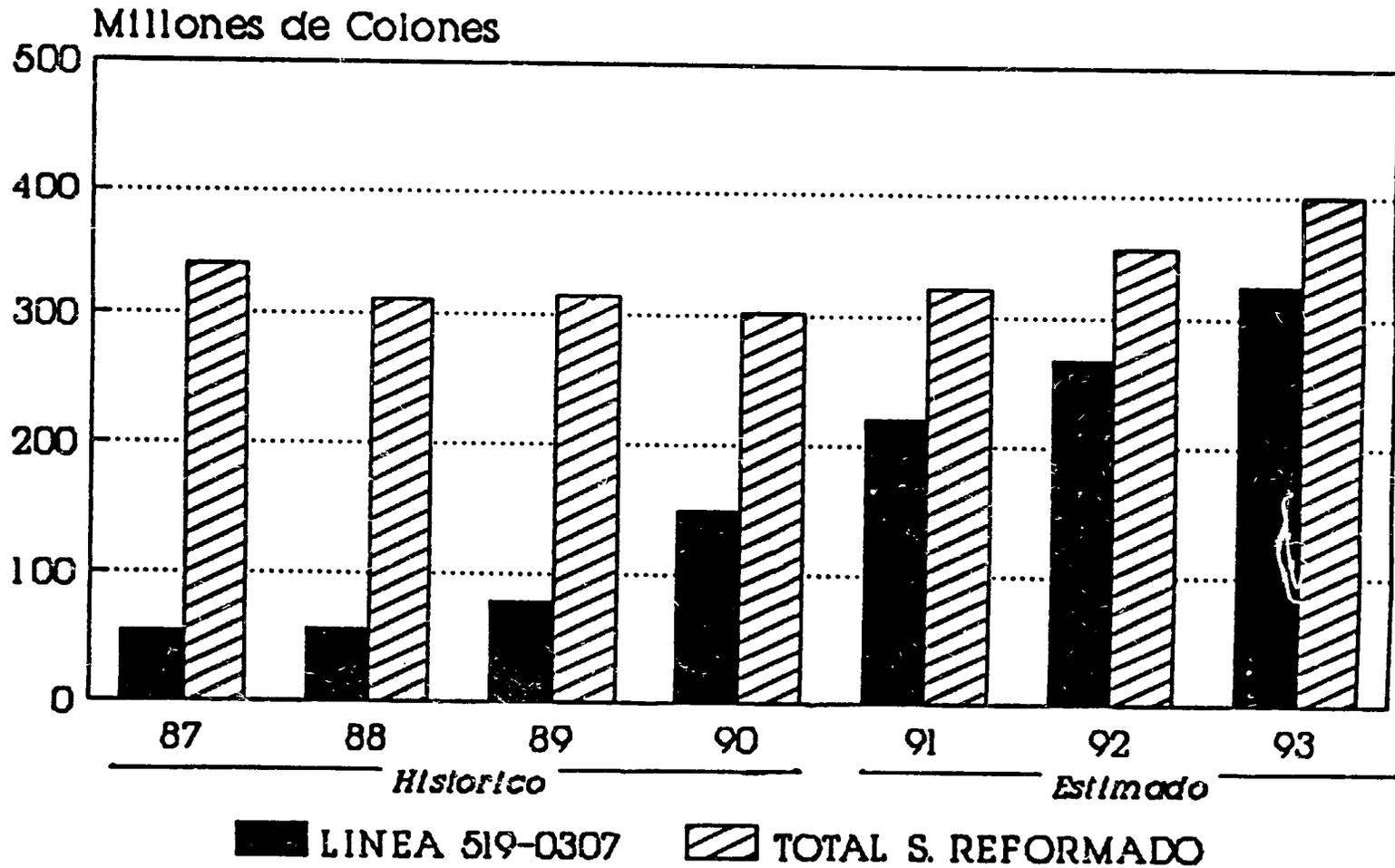
La continuidad del Banco de Fomento en el Proyecto en los años 1991 a 1993 es vital para lograr el objetivo de utilizar la totalidad de fondos disponibles. El Cuadro 12 muestra la participación del BFA. Para 1993 el Proyecto estaría financiando el 77.8% de las operaciones de crédito del BFA con la reforma agraria, haciendo posible que el 81.9% de todos los créditos otorgados por la banca comercial y el BFA fueran con recursos del proyecto.

El Cuadro 13 presenta el flujo proyectado del Proyecto sin el BFA y el Cuadro 14 contiene un resumen. El monto adicional de fondos de donación que podría utilizarse en los tres años 1991-1993 sería de sólo \$12.7 millones que son fondos en trámite al finalizar 1990. Todas las operaciones de la banca comercial con fondos del proyecto se financiarían con las recuperaciones, contrapartida e intereses capitalizados.

Cuadro 12. Créditos Totales Otorgados a la Reforma Agraria y Participación del Proyecto AID 519-0307 por medio de Banca Mixta y Banco de Fomento Agropecuario (\$ millones)

TOTAL OTORGADO			PROYECTO 519-0307			POR CIENTO			
AÑO	BANCA MIXTA	BFA	TOTAL	BANCA MIXTA	BFA	TOTAL	BANCA MIXTA	BFA	TOTAL
Histórico =====									
1987	201.8	136.5	338.3	54.8	--	54.8	27.2	--	16.2
1988	205.3	106.7	312.0	56.8	--	56.8	27.7	--	18.2
1989	193.6	121.3	314.9	78.1	--	78.1	40.3	--	24.8
1990	177.4	124.9	302.3	113.6	36.8	150.4	64.0	29.5	49.8
Estimado =====									
1991	194.9	127.9	322.8	124.7	94.7	219.4	64.0	74.0	68.0
1992	204.0	152.0	356.0	152.7	115.5	268.2	74.9	76.0	75.3
1993	217.4	181.2	398.6	185.6	141.0	326.6	85.4	77.8	81.9

CREDITOS OTORGADOS AL SECTOR REFORMADO Y PARTICIPACION DEL PROYECTO AID 519-0307



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136

CUADRO 13. FLUJO DE EFECTIVO LINEA ESPECIAL DE CREDITO 519-0307
SIN EL BANCO DE FOMENTO AGROPECUARIO
(VALOR EN MILES DE COLONES)

CONCEPTO	1991					1992					1993				
	1	2	3	4	VLS.ACUM/91	1	2	3	4	VLS.ACUM/92	1	2	3	4	VLS.ACUM.93
SALDO INICIAL DCR.	20,091.4	52,337.8	130,011.8	94,575.3	20,091.4	59,292.7	79,072.6	161,501.1	100,007.6	59,292.7	67,033.5	67,459.2	167,338.6	105,213.3	67,033.5
RECUPERACIONES	5,032.9	100,047.6	6,010.1	3,604.0	124,303.4	9,215.5	105,934.5	8,732.3	4,550.6	128,432.8	9,956.0	120,119.0	10,569.8	5,507.6	154,153.3
-S/CREDITOS DE INVERSION	4,322.0	3,110.2	4,171.9	2,094.7	13,707.6	6,509.1	4,702.9	6,182.1	3,104.1	20,570.1	8,200.9	5,796.3	7,400.3	3,759.7	25,253.3
-BANCA MIXTA	4,322.0	3,110.2	4,171.9	2,094.7	13,707.6	6,509.1	4,702.9	6,182.1	3,104.1	20,570.1	8,200.9	5,796.3	7,400.3	3,759.7	25,253.3
-SFA.	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
-S/CREDITOS DE AVISO	1,510.1	104,929.4	2,646.2	1,510.1	110,595.5	2,626.4	101,231.6	2,550.2	1,446.5	107,854.7	1,747.9	122,322.7	3,001.5	1,747.9	120,900.0
-BANCA MIXTA	1,510.1	104,929.4	2,646.2	1,510.1	110,595.5	2,626.4	101,231.6	2,550.2	1,446.5	107,854.7	1,747.9	122,322.7	3,001.5	1,747.9	120,900.0
-SFA.	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
REEMBOLSOS	27,651.7	0.0	0.0	0.0	27,651.3	19,600.0	0.0	0.0	0.0	19,600.0	0.0	0.0	0.0	0.0	0.0
-AID. (DONACION)	27,651.7	0.0	0.0	0.0	27,651.3	19,600.0	0.0	0.0	0.0	19,600.0	0.0	0.0	0.0	0.0	0.0
-GDS. (CONTRAPARTIDA)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
INTERESES CAPITALIZADOS (NETO)	0.0	0.0	0.0	10,000.0	10,000.0	0.0	0.0	0.0	15,000.0	15,000.0	0.0	0.0	0.0	20,000.0	20,000.0
DESBOLSOS	10,037.8	22,373.6	50,234.6	40,007.4	131,553.4	8,235.6	24,306.0	61,345.8	61,404.6	155,292.0	9,531.1	20,239.6	72,695.2	74,245.8	184,711.4
-S/CREDITOS DE INVERSION	2,503.1	7,461.6	10,923.2	2,749.0	23,696.7	2,710.0	7,006.8	11,461.5	2,004.0	24,062.3	2,031.6	0,156.4	11,976.9	3,013.2	25,975.8
-EN AÑOS ANTERIORES	1,422.1	4,096.9	6,015.0	1,513.5	13,047.5	1,325.7	3,019.0	5,406.8	1,410.8	12,162.3	1,176.6	3,303.6	4,967.7	1,250.0	10,775.8
-BANCA MIXTA	703.0	2,027.5	2,976.0	749.0	6,457.1	844.4	2,433.0	3,572.1	890.0	7,749.5	1,013.5	2,919.4	4,296.5	1,978.6	9,790.2
-SFA.	718.3	2,027.5	2,976.0	749.0	6,457.1	844.4	2,433.0	3,572.1	890.0	7,749.5	1,013.5	2,919.4	4,296.5	9,790.2	
-DEL AÑO	1,161.0	3,344.5	4,910.2	1,235.5	10,651.2	1,306.3	3,907.8	5,854.7	1,473.2	12,700.0	1,656.0	4,772.0	7,007.2	1,763.2	15,200.0
-BANCA MIXTA	1,161.0	3,344.5	4,910.2	1,235.5	10,651.2	1,306.3	3,907.8	5,854.7	1,473.2	12,700.0	1,656.0	4,772.0	7,007.2	1,763.2	15,200.0
-SFA.	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
-S/CREDITOS DE AVISO	7,454.7	14,932.2	39,329.4	44,130.4	107,854.7	5,525.7	16,499.2	49,004.3	50,520.6	130,429.8	6,699.7	20,003.2	60,720.3	71,232.6	150,735.0
-EN AÑOS ANTERIORES	7,454.7	0.0	0.0	0.0	7,454.7	1,329.8	0.0	0.0	0.0	1,329.8	1,035.0	0.0	0.0	0.0	1,035.0
-BANCA MIXTA	1,179.0	0.0	0.0	0.0	1,179.0	0.0	0.0	0.0	0.0	1,179.0	0.0	0.0	0.0	0.0	1,179.0
-SFA.	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
-DEL AÑO	3,000.0	14,932.2	39,329.4	44,130.4	107,854.7	3,995.9	16,499.2	49,004.3	50,520.6	128,900.0	4,064.7	20,003.2	60,720.3	71,232.6	149,500.0
-BANCA MIXTA	3,000.0	14,932.2	39,329.4	44,130.4	107,854.7	3,995.9	16,499.2	49,004.3	50,520.6	128,900.0	4,064.7	20,003.2	60,720.3	71,232.6	149,500.0
-SFA.	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
SALDO FINAL DCR.	52,337.8	130,011.8	94,575.3	59,292.7	59,292.7	79,072.6	161,501.1	100,007.6	67,033.5	67,033.5	67,459.2	167,338.6	105,213.3	56,475.1	56,475.1

101

Cuadro 14. Flujo de Efectivo Resumido Estimado para Operaciones de Crédito del Proyecto AID 519-0307, sin incluir al BFA 1991 - 1993 (¢ millones)

C O N C E P T O		1991	1992	1993
Saldo inicial en BCR		28.9	59.3	67.0
Recuperaciones		124.3	128.4	154.2
Intereses		10.0	15.0	20.0
Contrapartida		15.0	19.6	-.-
T O T A L		178.2	222.3	241.2
Desembolsos:				
Inversión		23.7	24.9	26.0
Avío		107.9	130.4	158.7
T O T A L		131.6	155.3	184.7
SALDO		46.6	67.0	56.5
Donación Proyecto		12.7	-.-	-.-
SALDO		59.3	67.0	56.5

La experiencia del proyecto ha demostrado que solamente la disponibilidad de recursos no asegura una utilización significativa de los mismos en razón de la problemática que presenta la clientela de la reforma agraria. Es necesario proveer servicios auxiliares para que las necesidades se conviertan en demanda efectiva.

A estos efectos y, particularmente, para los créditos de inversión y para productos de exportación no tradicionales, será necesario utilizar varios instrumentos y modalidades, siendo los principales:

- a. El Fondo de Garantía Agropecuario.
- b. Un programa de capacitación a las cooperativas con el propósito de fortalecer su posición como sujetos de crédito. Será un programa elaborado con la participación directa de los bancos y realizado por la UTFRA.
- c. Continuar y consolidar los enlaces con programas

128

especiales como CLUSA/TECHNOSERVE, DIVAGRO y otros dirigidos a que la asistencia técnica y el crédito se planifiquen conjuntamente aunque los ofrezcan instituciones distintas.

d. Fortalecer la promoción de nuevos proyectos de inversión y de productos de exportación no tradicionales, incorporando un componente de implementación o desarrollo a fin de darle mayor confianza a los bancos y apoyar técnicamente a las cooperativas en el período inicial crítico de la implementación de nuevos proyectos. El componente de implementación, que podría estar sustentado por un fondo administrado por la UTFRA, desarrollaría las siguientes actividades:

(1) Identificar, en base al potencial del mercado, rubros que pueden ser producidos en el sector reformado y desarrollar planes de acción, utilizando estrategias como las del crédito administrado puesto en marcha por la UTFRA para renovación y siembras nuevas de café, y el de CLUSA/TECHNOSERVE para cultivos no tradicionales.

(2) Contratar firmas locales para la realización de estudios de factibilidad e implementación que, además de la viabilidad económica de los proyectos, definan y cuantifiquen los requerimientos técnicos, de organización y administración en base a la situación particular de cada cooperativa. Igualmente se encomendarían estudios de diagnósticos y la formulación de planes de negocio integrales para cooperativas con buen potencial y con acceso al sistema financiero.

(3) Incluir en el monto de los créditos los recursos necesarios para contratar servicios de asistencia técnica y de administración dispuestos en los estudios de factibilidad ofreciendo, como incentivo a las cooperativas, cubrir parte de estos costos durante el período de implementación de los proyectos.

(4) Fortalecer la capacidad de los bancos para supervisar la implementación de los proyectos financiados, facilitándoles la contratación de personal capacitado mediante el reembolso de parte del costo.

(5) Realizar acuerdos con el MAG para utilizar personal técnico disponible en apoyo de proyectos específicos, proveyéndole a este personal los medios de trabajo que necesite, tal como se está haciendo, en forma limitada, con el ISIC.

III. CAPACITACION

A. OBJETIVOS

Los objetivos del componente de capacitación, aunque orientados a apoyar el Proyecto, tenían el propósito principal de fortalecer el sistema de la oferta del crédito, capacitando a los agentes de crédito y otro personal de los bancos.

La capacitación consistió en cuatro áreas de acción: (1) cursos cortos en el país, (2) cursos cortos fuera del país, (3) estudios de maestría en el exterior, y (4) fortalecer las facilidades físicas de capacitación de ABANSA para utilizarse en el Proyecto.

Para orientar las actividades de capacitación se establecieron dos mecanismos: (1) un plan de capacitación anual, y (2) un Comité de Capacitación. El plan de capacitación lo formula la UTFRA y luego es discutido y aprobado por el Comité de Capacitación y, finalmente, por la AID. El Comité de Capacitación está integrado por cuatro miembros: dos del Banco Central y dos en representación de ABANSA que se seleccionan de una terna.

En la implementación del componente de capacitación se ha ido incorporando, cada vez más, a los usuarios del crédito a pesar de que no fueron específicamente incorporados en el diseño del Proyecto.

La capacitación se ha ido orientando, cada vez más, a las necesidades del plan anual de crédito, tomando en cuenta las limitaciones de la clientela del Proyecto.

B. RESULTADOS

En el Cuadro 15 se resume la labor realizada en términos de eventos y participantes para cada uno de los cuatro años de vida del Proyecto.

Cuadro 15. Capacitación Realizada por el Proyecto AID 519-0307, 1987 - 1990

Evento	1987	1988	1989	1990	Total
Cursos Cortos en el País (número)					
Técnicos bancarios	1	6	10	12	29
Cooperativistas	30	79	226	231	566
Otros	--	168	130	265	563
	--	--	--	75	75
Cursos Cortos en el Exterior (número)					
Técnicos bancarios	--	4	4	3	11
Cooperativistas	--	13	16	14	43
Otros	--	--	17	24	41
	--	--	3	10	13
Charlas y Seminarios (número)					
Técnicos bancarios	1	1	1	100	103
Cooperativistas	--	--	30	246	276
Otros	30	80	--	3457	3567
	--	--	34	537	571

En 1989, y particularmente en 1990, se le dió mucha importancia a la capacitación de los cooperativistas. En 1989, por primera vez, se envió a personal y miembros de cooperativas a cursos cortos en el exterior que comprenden el estudio y observación del desarrollo de proyectos de inversión que pueden implementar las cooperativas. En 1990 se realizó una intensa labor de cursos cortos en el país, charlas y seminarios, en los cuales participó personal técnico de los bancos juntamente con personal y líderes de las cooperativas. Esto puede observarse en el Cuadro 16.

Cuadro 16. Cursos Cortos Realizados en 1990 con la Participación Conjunta de Técnicos Bancarios y Cooperativistas

CURSOS CORTOS EN EL PAIS	NUMERO DE CURSOS	PARTICIPANTES		
		PERSONAL BANCOS	COOPERA-TIVISTAS	OTRO
Cursos Organizados por la UTFRA -----				
Comercialización de Café	1	20	32	--
Sistema Operativo y Lotus 123	4	39	--	--
Sistema de Riego	1	20	3	11
Decisiones Crediticias	1	51	--	--
Mantenimiento Beneficios de Café	1	4	55	--
Evaluación Proy. Aplicado a Fincas	1	6	17	--
Producción de Camarón Agua Dulce en Estanques	1	14	23	5
Admón. de Beneficios de Café	1	10	39	5
Comercialización Melón Exportación	1	10	22	14
Comercialización de Café	1	10	52	13
Cultivos no Tradicionales de Exportación	1	35	--	--
SUBTOTAL	14	219	243	48
Cursos impartidos por otras instituciones locales	20	12	22	27
T O T A L	34	231	265	75

Igualmente ocurrió con las charlas y seminarios realizados en 1990, Cuadro 17.

Cuadro 17. Charlas y Seminarios Realizados por la UTFRA en 1990

	NUMERO DE CURSOS	PARTICIPANTES		
		PERSONAL BANCOS	COOPERA-TIVISTAS	OTRO
Charlas promocionales y técnicas sobre manejo de cafetales	8	--	292	--
Criterios para comprar, reparar o arrendar maquinaria y equipo	22	--	1502	110
Manejo de ganado de repasto	17	--	983	8
Cultivo de plátano	6	--	346	30
Línea de Redescuento 0307	1	38	--	3
Alternativa de organización para coops productoras de coco	1	20	43	10
Sistemas de riego	20	40	97	47
Proyectos IICA	15	40	194	35
Mecanismo Coord. UTFRA-BFA	1	40	--	--
Identif., formul., evaluación y seguimiento de proyectos agropecuarios y agroindustriales	1	30	--	19
Charlas a técnicos ISTA explicando Proyecto UTFRA	5	--	--	198
Métodos control y recuperación crédito	1	38	--	--
T O T A L	98	246	3457	460

Tanto los cursos cortos como las charlas y seminarios están relacionados directamente con la promoción de proyectos productivos y la capacitación técnica, principalmente en aquellos rubros elegibles de financiamiento con recursos del Proyecto.

Aunque no es posible dar seguimiento a todas las actividades, la demanda y recepción que ha tenido el programa de capacitación demuestra que es útil y necesario. La evaluación que se hace de cada curso ha sido positiva en su inmensa mayoría. El programa de capacitación financió, además, estudios de maestría para 11 profesionales así:

N O M B R E	AREA DE ESTUDIO	UNIVERSIDAD	INSTITUCION FINANCIERA
Moisés A. Orellana	Admón. de Empresas	Inst. Tecnol. y de Estudios Super. Monterrey, México	Banco Central de Reserva
José Saúl Quijada	"	"	"
Rogelio Orellana	"	"	B F A
José Roberto Sánchez	"	"	Cuscatlán
José Villatoro	Agricultura	"	B C R
Benjamín Garay	"	"	"
Oscar Quintanilla	Sistemas de Información	"	"
José Mauricio Gómez	Economía *	Universidad Estatal de Arizona	B C R
José Genaro Serrano	Economía *	"	"
Carolina Chávez	Ciencias de la Computación	"	Capitalizador
Jorge Mejía		"	"

* Terminan en junio 1991

También el Proyecto financió la compra de 12 computadoras personales que fueron instaladas en el local de ABANSA, que se utilizan para impartir cursos del Programa y para uso de los estudiantes de ABANSA. Igualmente, se financió la compra de equipo para habilitar una sala de sesiones y conferencias.

C. CONCLUSIONES

Al inicio del Proyecto AID 519-0307 existían programas específicos para cubrir deficiencias de las cooperativas en las áreas de gerencia y contabilidad, formulación de planes integrales de explotación y de proyectos específicos. Estos programas finalizaron. Con el objeto de suplir en parte estos servicios, el Plan de Capacitación de la UTFRA comenzó a dar atención a los usuarios impartiendo una serie de cursos sobre Contabilidad, Formulación e Interpretación de Estados Financieros y Administración de Empresas Agropecuarias. Además, han contribuido con esta acción CLUSA/TECHNOSERVE, DIVAGRO Y UTFRA/ISIC. Finalmente, a partir de 1990 se ha hecho una labor intensa de capacitación; sin embargo, la asistencia técnica aún es deficiente en términos de cobertura e intensidad.

Los bancos, por su lado, están tomando más interés en la administración de las cooperativas por el efecto directo que tiene en la recuperación de los créditos. Con el apoyo de la UTFRA están requiriendo el nombramiento de gerentes y la existencia de controles administrativos.

La capacitación es el complemento lógico al crédito para lograr los objetivos del Proyecto. La experiencia que ha adquirido la UTFRA la coloca en posición ventajosa para continuar y consolidar este esencial servicio auxiliar al crédito.

D. RECOMENDACIONES

Se recomienda continuar el programa de capacitación dirigido a: (a) técnicos de crédito y otro personal bancario y de otras instituciones que participan en el Proyecto, y (b) usuarios de crédito de la reforma agraria. Las áreas principales de capacitación serían: identificación, promoción e implementación de proyectos; elaboración de diagnósticos y planes integrales de producción agropecuaria; desarrollo de capacidades en las técnicas modernas para incrementar la producción y productividad; comercialización; y, desarrollo de capacidad para el manejo y controles adecuados de la empresa cooperativa de producción agropecuaria actual y otros tipos de cooperativas que puedan surgir como resultado de la nueva política de tenencia que está promoviendo el gobierno.

La administración del Plan de Capacitación por la UTFRA tiene dos ventajas principales: (a) Cuenta con una asignación especial de contrapartida del GOES al Proyecto y de fondos provenientes de los intereses generados por la línea de Redescuento, y (b) La capacitación responde directamente a las necesidades del Proyecto y se apoya con el personal de la UTFRA y de los agentes de crédito de los bancos, lo que reduce sustancialmente los costos de operación.

IV. ESTUDIOS DE POLITICAS Y SEMINARIOS

A. OBJETIVOS

El objetivo original era realizar estudios relacionados con políticas vigentes que pudieran afectar el uso productivo del crédito en el sector agropecuario. Los estudios serían seguidos de seminarios con el objeto de discutir los resultados y proponer nuevas opciones de políticas.

B. RESULTADOS

Se han realizado siete estudios y nueve trabajos específicos relacionados con proyectos productivos, áreas del crédito y

sistemas computarizados, que han sido de utilidad para tomar decisiones importantes. Los estudios principales son:

1. Sistema de Entrega de Crédito, por el Dr. Carlos Cuevas.
2. Costos de Transacción en el Sistema Financiero de El Salvador que se subdividió en tres componentes, para cada uno de los cuales se produjo un documento separado:
 - a. Costos de Transacción a Nivel de los Bancos, por el Dr. Carlos Cuevas.
 - b. Costos de Transacción de los Depositantes, por el Dr. Carlos Cuevas.
 - c. Costos de Transacción de los Usuarios de Crédito, por el Dr. Jerry Ladman.
3. Los Factores que Limitan el Crédito a los Beneficiarios del Decreto 207, por el Dr. Jerry Ladman.
4. Impacto del Crédito del Proyecto AID 519-0307 en la Producción y Generación de Empleo, por el Dr. Arnoldo Camacho.
5. Mecanismos para Reducir el Riesgo Financiero a los Bancos, por Robert Laport.
6. Creación de un Fondo de Garantía para los Usuarios de Crédito del Proyecto AID 519-0307, por Carl Ludvik y Bruce Heatly.
7. Elaboración del Programa del Fondo de Garantía Agropecuario para el Pequeño Agricultor y Sector Reformado, por Ing. Pedro Negrón Ramos y Lic. Carlos Pocasangre.

Entre los otros trabajos están:

1. Agroindustrias en la República de El Salvador, por el Dr. Jerry Ladman y la Lic. María Lidia Urias.
2. Análisis de la Función de los Agentes de Crédito en el Programa de Agentes de Crédito para los Beneficiarios del Sector Agrario Reformado en El Salvador, por el Dr. Jerry Ladman y el Ing. Pedro Negrón Ramos.
3. Diseño de un Sistema de Formulación de Proyectos de Inversión Agropecuarios por Computadora, por Kronos, S.A.
4. Análisis de la Situación de las Plantaciones de Café en el Sector Reformado de El Salvador, por Ing. Pedro Negrón Ramos.
5. Tres Estudios de Factibilidad para Proyectos de Camarón de Mar, por la firma RPI International y Hawaii Acquaculture para

las cooperativas San Arturo, La Calzada y El Peñón.

6. Recuperación y Mora de los Créditos de la Línea de Financiamiento para la Reforma Agraria Proyecto AID 519-0307, por Ing. Pedro Negrón Ramos y Lic. Alfonso Zúñiga.

7. Diseño por computadora para: (a) Sistema de seguimiento de los créditos del Proyecto 519-0307 a nivel de redescuento en el Banco Central y de bancos intermediarios y los usuarios, por Guillermo Jiménez; (b) Sistema para darle seguimiento a toda la cartera de crédito del sector agrario reformado, en proceso, por Guillermo Jiménez (c) Sistema para las Operaciones del Fondo de Garantía Agropecuario para el Pequeño Agricultor y el Sector Reformado, por Paul Wever y Carlos Fernández.

C. CONCLUSIONES

1. Los estudios y trabajos realizados tienen relación directa con el Proyecto y han tenido aplicación y utilidad para tomar decisiones importantes.

2. Considerando que los estudios realizados han cubierto los problemas fundamentales de la relación bancos-usuarios, es importante reorientar este componente en el sentido de estudiar aspectos relacionados con la agroindustria, productos de exportación no tradicionales y la comercialización externa de los productos que se deriven de estos proyectos. Hasta ahora la UTFRA ha promovido proyectos aislados en las cooperativas; sin embargo, se considera que es necesario desarrollar el potencial productivo de las cooperativas en forma integral para lo cual se requieren estudios y diseños.

D. RECOMENDACIONES

El componente de estudios debe continuarse como apoyo directo al logro de los objetivos del Proyecto. Las áreas de estudios deberán ser las siguientes:

1. Agroindustria.
2. Productos de exportación no tradicionales.
3. Comercialización externa.
4. Estudios y diseño de proyectos integrales de desarrollo productivo a nivel de empresa o sociedades de empresas.

V. LA UNIDAD TECNICA PARA EL FINANCIAMIENTO DE LA REFORMA AGRARIA (UTFRA)

La Subgerencia de Crédito del Banco Central, por medio de la UTFRA, creada bajo el proyecto en 1989 con la asesoría de ASU, tiene el rol principal de la implementación del Proyecto AID 519-0307. Actualmente la Unidad realiza las funciones principales de: (1) promover, desarrollar e implementar esquemas para lograr la utilización total y productiva de los recursos de crédito del Proyecto; (2) administrar el programa de agentes de crédito; (3) desarrollar y administrar el plan de capacitación, y (4) colaborar con la Universidad Estatal de Arizona en la identificación y realización de estudios de políticas de crédito de utilidad para el Proyecto.

Recientemente, por encomienda del Banco Central, la UTFRA ha iniciado, con la asesoría de ASU, el diseño de un sistema computarizado para obtener de los bancos y mantener actualizada la información necesaria para darle seguimiento periódico a la cartera total de crédito del sector reformado. Esto es importante para evaluar tendencias, problemas y la adopción de políticas crediticias para este sector. La actividad contempla colaborar con los bancos para sistematizar y uniformar la producción de información de crédito y su manejo por medios computarizados. Posteriormente el sistema podría ampliarse con el objeto de elaborar cuadros de producción y de estados financieros.

La UTFRA, por medio de sus supervisores, ha logrado que los agentes de crédito continúen dando bastante atención a la identificación de proyectos de inversión en adición a su trabajo con los créditos de avío. Durante 1991, a los bancos sólo se les reembolsará el 25% de los gastos de los agentes de crédito y es el último año de este aporte económico. Aunque se anticipa que los bancos retendrán a los agentes que actualmente tienen, no está claro el grado de atención que continuarán ofreciendo a los créditos de inversión. Ante la posibilidad de que esa atención se reduzca significativamente, el BCR ha creado un fondo para contratar firmas locales para la realización de estudios de factibilidad de proyectos y la UTFRA deberá estar muy activa dando seguimiento y preparada para tomar o proponer nuevas medidas para mantener el flujo de proyectos de inversión.

Igualmente, a la UTFRA se le ha asignado la función de evaluar y recomendar sobre solicitudes de traslado de las cooperativas de un banco a otro para atender sus demandas crediticias. Ultimamente las solicitudes de traslado se han incrementado a razón de la privatización y fusión de los bancos. Sin embargo, en el futuro, los traslados deberán poderse efectuar mediante una negociación bilateral entre banco-cooperativa, sin que exista un dictamen del Banco Central.

Además, la UTFRA está colaborando con el ISTA en el diseño del sistema de recuperación de los créditos en mora comprados a los bancos a fin de refinanciar estas deudas en condiciones preferenciales.

La UTFRA continuará siendo la Unidad del Banco Central directamente encargada de la implementación del proyecto AID 519-0307, con funciones ampliadas para dar seguimiento al financiamiento global al sector reformado, producir informes periódicos de progreso y recomendar acciones al Banco Central sobre medidas que pudieran tomarse.

VI. ASISTENCIA TÉCNICA AL PROYECTO

La asistencia técnica al Proyecto AID 519-0307 la provee la Universidad Estatal de Arizona (ASU), mediante contrato con la AID firmado en 1987 y que vencerá el 31 de julio de 1991. el contrato de asistencia técnica responsabiliza a la ASU a administrar fondos específicos para estudios de políticas y seminarios, becas de maestría en el exterior, contratación de instructores para cursos cortos en el país y en el exterior cuando se utiliza moneda extranjera y, finalmente, dar asesoría permanente al Proyecto. El monto del contrato es de \$US 3,486,000 que se distribuye así:

Programa de capacitación en el exterior, incluyendo, estudios de maestría para 11 becarios	\$US	2,011,762
Estudios de políticas y otros trabajos relacionados con el Proyecto		641,375
Movilización de Ahorros por el BFA (descontinuado)		75,304
Asistencia Técnica Largo Plazo		<u>758,000</u>
T o t a l	\$US	3,486,441

Fuente: Basado en Anexo a Carta de Implementación AID No. 23 de 4 de septiembre de 1990.

La ASU asesora a la Unidad Técnica del Banco Central que es la oficina encargada de administrar el Proyecto. Como la asesoría se viene otorgando por más de tres años, la Unidad se encuentra en capacidad de operar sin mayor asistencia. Sin embargo, en vista de que se están poniendo en marcha varios proyectos específicos y hay otros comprendidos en la propuesta de extensión del Proyecto AID 519-0307, que ameritan contar con asistencia técnica a un nivel ajustado a esas necesidades, es importante que la asistencia continúe para atender áreas específicas de acción, siendo las principales las siguientes:

146

LIST OF TEAM MEMBERS' FIELD OF EXPERTISE
AND THE ROLE PLAYED IN THE EVALUATION

1. **Pedro C. Perez-Gabino**
 - **Team Leader**
 - **Financial Analyst Specialist**
 - **Management Consultant**

2. **Manuel Salsa**
 - **Financial Operations Specialist**
 - **Management Consultant**

3. **Percy Avram**
 - **Agriculture Production Specialist**
 - **Management Consultant**

4. **Joseph Alessandro**
 - **Training Specialist**
 - **Management Specialist**

BANK VISIT

NAME OF BANK: BANCO DE FOMENTO AGROPECUARIO (BFA)

DATE OF VISIT: MAY 6TH., 1991

INTERVIEWED BY: MANUEL SALSA
PERCY AVRAM

OFFICERS INTERVIEWED: ING. CESAR A. NERIO, CHIEF OF THE
CREDIT SECTION FOR COOPERATIVES.
LIC. ALFONSO ZUNIGA, UTFRA

I. BACKGROUND

1. The Banco de Fomento Agropecuario (BFA) is a vital financial institution in the Agrarian Reform program in El Salvador. In the process of transformation of the land ownership from the private land owners to the Agrarian Reform Cooperatives (ARC's) and Decree 207 Beneficiaries, the BFA became the available financial arm for the extension of credit to these new owners.
2. Prior to the entry of the Commercial Banks (BC's) into the arena of lending to the agrarian reform sector, the BFA was actively engaged in granting short term loans to the Decree 207 beneficiaries and the Cooperatives.
3. In May 1990, USAID and the GOES agreed to allow the BFA to become eligible as a participant in the AID 519-0307 Agrarian Reform Project, subject to certain conditions. The conditions agreed to were:
 - (a) The BFA would divest itself of all real property assets which directly or indirectly support complementary

activities to banking.

- (b) cease selling insecticides and fertilizers.
- (c) cease the buying and selling of grain and milk, and
- (d) divest itself of all assets acquired through foreclosure.

Additionally, other conditions dealing with a reduction in administrative and transaction costs, improved collection procedures and reduced delinquency rates were also part of the agreement.

- 4. The BFA draw-down was initially limited to not more than \$5 million. In July 1990, BFA commenced utilizing this draw-down and the limit was reached at year-end 1990. USAID withheld the replenishment of this amount for further rediscounting on the grounds that the GOES/BFA were not in compliance with the agreement. BFA officials indicated that they were moving in the direction of full compliance as rapidly as the transition situation permitted without creating an operational upheaval in their system.

II. BFA OPERATIONS

- 1. The BFA is uniquely positioned and has a network of 27 agencies located throughout the nation. BFA has been assigned 430 Phase I cooperatives which are active and do business with BFA. In the reformed sector, BFA serves the following number:

Phase I	-	145 ARC's
Phase II	-	129 ARC's
Traditional	-	128 ARC's

Not all of the cooperatives are viable, but the potential for viability exists and BFA seeks to exploit that potential to

- the extent possible.
2. After the 1980 agrarian reform measures, BFA undertook to assist in overcoming problems that beset the ARC's such as poor administration, defalcations, improper use of funds, non-repayment of loans, etc., and this assistance is on-going and continuously upgraded in quality.
 3. BFA classified the cooperatives it served early on in their relationships in five categories, namely A, B, C, D and E. The standards used for the classification consisted of both a rating for economic viability as well as a rating for social content. Currently BFA is using the classification standard established by the BCR, which is based primarily on the viability of the ARC and the lending risk it portrays to the bank. ARC's classified as A & B are considered as good credit risk, and their loans are rediscounted by the BCR without question. Categories C, D and E loans are rediscounted by the BCR only when the intermediary bank guarantees the loans.
 4. The BFA is assigned about one-half of the Phase I ARC's and is the only bank capable of working with large numbers of Decree 207 beneficiaries. Some 28 ARC's which were receiving credit services from the four commercial banks (CB's that were either sold or merged by the BCR) were assigned to the BFA. Other cooperatives unwilling to do business with the CB's also seek financial services from the BFA, thus adding to the numbers BFA is called upon to service.
 5. Each BFA agency is staffed by a complement of technicians qualified to serve the needs of the area being served. For example, a coffee producing area would have credit agents who were knowledgeable about coffee production, while a livestock or dairy producing area would be staffed by a credit agent, knowledgeable in this industry. The field staff is supported

by eight technicians from the Central office. This team on a national level is responsible for the promotion of agricultural credit, identifying and planning projects, preparing feasibility studies, loan approvals, fund disbursements and collections. Technicians at agency and national level work closely with personnel from other agencies such as ISTA, FINATA, UTFRA, etc., in the discharge of their duties.

III. BFA LENDING OPERATIONS

1. The BFA commenced lending operations under the Rediscount Line of Credit in July. By the year end 1990, credit advanced by the bank had reached ₱36.8 million under the Rediscount Line of credit AID 519-0307.
2. The following table shows the cumulative distribution of the rediscounted loans for all participating banks, as of March 31, 1991.

bank becomes a choice mechanism for reaching more beneficiaries in the reform sector, and everything possible should be done to enable BFA to expand its services to more clients.

5. The question was raised as to the quality of the loans made and the delinquency situation. The bank stated that the procedure for granting loans had improved, and that the delinquency rate on their overall portfolio ran at about 3%. Since the inception of the use of the rediscount line of credit to March 31, 1991 (9 months) a total of \$29.9 million was disbursed in loans, \$11.5 million amortized, with \$18.4 million outstanding and no delinquency.

IV. OTHER COMMENTS AND OBSERVATIONS

1. The BFA as a development bank is well equipped to attend the financial requirements of Salvadoran agricultural, including the reform sector. Steps taken by USAID/GOES to include the BFA as a participating bank in the rediscount line of credit, including the restructuring requirements, is a step in the right direction.
2. The need for more training was highlighted, particularly at the level of the cooperatives and its members.

BANK VISIT

NAME OF BANK: CENTRAL BANK RESERVE (BCR)

DATE VISITED: APRIL 30, 1991

INTERVIEWED BY: MANUEL SALSA
PERCY AVRAM
PEDRO PEREZ GABINO

OFFICERS INTERVIEWED: LIC. JOSE EDILBERTO MARTINEZ GIRON
LIC. JOSE ANTONIO LEIVA
ING. ALFONSO VIDAL CEREN

I. PURPOSE OF VISIT

To discuss the progress that has been made in meeting the goals of the Agrarian Reform Project. To assess the use made of the Rediscount Line of Credit, and to determine the future potential use and effectiveness of this program. The role of UTFRA was discussed at some length, since the Project's success or failure rests with the effective implementation of training, administrative management, lending and collection procedures, production capability, innovation and coordination with either agencies in order to address the cooperatives' needs (ARC's).

A. ROLE OF UTFRA AND AFFILIATED BANKS

When the Project was formed, UTFRA was created to administer the line of credit under the Government Policies aimed at providing short term credit and long term investments to the Reformed Agricultural Sector and to institute expedient solutions to problems encountered by both the cooperatives and the participating banks.

The BCR assigned two (2) agents per bank to assist the PFI's in promoting this new Central Bank activity. The fourteen (14) agents assigned to the individual banks were qualified agronomists hired on a salaried basis, paid by the BCR. This created a satisfactory link between the BCR and the PFI's for the effective implementation and monitoring of the program. The program was launched with BCR/AID contract 307 paying 100% of the agent's salary, and reduced each year by 25% until the subsidy runs out, and the agent's salary is absorbed by the PFI. This subsidy withdrawal was a cause for concern, since some PFI's were already loading work on the agents that was not related to Rediscount Lending, but was more profitable for the PFI.

BCR made available \$300 million to the PCI's for discounting and use under the AID Project 519-0307. This line was not restrictive, in the sense that it would be available for most of the agricultural crops grown by the participating cooperatives, with the specific exclusion for citrus, cotton, and african palm.

One of the problems raised was that the agents working in the Project would identify good projects and in many cases the PFIs' management would reject the loan without any in-depth study. Other problems encountered at the inception of the program, from the participating banks were: (1) the PFIs would use their own sources of funds to finance loans in the agricultural sector because of greater interest spreads; (2) the need for a contract to be signed by the PFI and BCR as required under the AID agreement. Some of the banks would not use the line of credit because of this contract requirement. This requirement is no longer in practice and the PFI's are making use of the Rediscount Credit Line; (3) the BCR

requirement of analysis and approval of loan applications caused a constraint whereby the banks were hesitant to utilize the line of credit because of loan approval delays.

The BCR streamlined the rediscount lending procedures to the extent the PFI's can rediscount loans up to two million colones without BCR intervention. Loans over two million colones are reviewed and approved by the BCR, a process which now takes less than fifteen days.

The question is of whether Project 307 and the unused funding should be extended beyond its termination date of June 1991. The BCR officers felt that there is continued need for this credit if agricultural production is to be maintained and increased. The unused funding could be put to productive use in this regard with a further extension of two years for this project.

The fundamental problem in the Agrarian Reform Cooperatives at this time is the lack of managers and managerial capability, all of which will require training on a continuous basis, for new managerial recruits, as well as skill upgrading for managers currently fulfilling these functions. The heavy turnover in the elected officials of the ARC's also calls for training at that level, since they do not understand their responsibilities.

B. DELINQUENT LOAN PROBLEM

The BCR officials were in agreement that the past due loans represented problems to the participating banks in that they were forced to decline credit to those ARC's that had carry-over debt from previous periods. They

stated that the banks were aware of the risk in extending agricultural credits, however, ARC's were classified as A, B, C, D and E. The PFI's would be required by the BCR to set up reserves of 10% for classification C, 50% for classification D, and 100% of the loan amount for classification E.

The BCR established a fund in April 1990 for \$460 million to repurchase these loans from the participating banks. They repurchased \$435 million during the period of May to June 16, 1990. The banks were given 20 year bonds for the past due loans on their books which lifted the necessity of fully reserving the past due loans of the cooperatives. The decision of BCR to establish this guarantee fund accomplished two goals. One, to relieve the banks of the onerous situation of having to carry these past due loans fully reserved and two, create a source of lending for the cooperatives that were affected.

C. LOAN SPREAD

When the program started the banks were allowed a seven point spread to compensate for the loan risk. Today, the banks are allowed to charge twenty percent to their agricultural cooperative borrowers with a 5% spread for short term loans and 7% for investment loans. The BCR officials present were of the opinion that the spread was adequate and the PFIs were increasing their participation in project.

Notwithstanding the fact that the BCR officers were not convinced of the spread sensitivity, it is our opinion that an increase spread would encourage the PFI's to continue using the 307 Line of Credit. The privatization

of the commercial banks could leave them the necessary latitude to use other sources of funding which would allow them a better spread.

II. COMMENTS

From all aspects notable improvement has taken place in the credit delivery system now in operation since the inception of the program. The PFI's are more willing to extend credit to the ARC's and the agricultural sector both on short and long term basis. The BCR has established a guarantee fund to make more credit available to those cooperatives that are high risk and would not have any other source of credit.

The premise of establishing a guarantee fund is to have credit available to the PFI's whose loans are classified as C or D. Loans classified E are not eligible under the BCR guarantee fund. To ensure credit is made available in amounts and under terms that will assist the PFI's agricultural borrowers, the BCR has established the guarantee fund to cover 70% of the credit risk of the participating PFI.

COOPERATIVE VISIT

NAME OF COOPERATIVE: NUEVA GUAYAPA
DATE VISITED: MAY 3, 1991
INTERVIEWED BY: MANUEL SALSA
 PERCY AVRAM
OFFICERS INTERVIEWED: PRESIDENT: PERFECTO CORTEZ
 MANAGER: JUAN FRANCISCO AVALOS
 TREASURER: ALVARO CALDERON
 PLANNER: JOSE BLANDON

I. COOPERATIVE HISTORY

The cooperative has a membership of 198 members which has been static for several years. It was stated that membership has not increased due to the lack of available credit because of the delinquent loans with the bank. This situation created a negative impact on their plans to increase the productivity of the land and to increase the labor force.

The cooperative has a total of 614 manzanas of land of which 450 manzanas are tillable. The breakdown of land usage is as follows:

- 24 manzanas planted to black eyedpeas;
- 60 manzanas for black eyedpeas (seed);
- 40 manzanas planted to Okra;
- 150 manzanas planted to seed corn;
- 15 manzanas to be planted this year to sugar cane.

II. LAND UTILIZATION

Land usage is good with double cropping being done regularly. This utilization of the land permits them to increase land productiviyy, always when they have credit avaiillable. This

has not always been the case because of its smaller size and competition from the larger cooperatives. As an example, it was stated that their commercialization of seed corn was very difficult due to the intense competition in this market.

The melon crop produced high yields and was packed and shipped to the United States. However, for the first time the melon prices dropped precipitously in the U.S. creating a short fall of \$3 per box. The financial loss will be substantial due to this shortfall. The loans totalling \$640,000 to produce the crop will mature a next month, without any source of repayment, I asked wheter they had any other source of money to pay this loan. They replied that it would be a carry-over until the cooperative could generate sufficient excess profits to retire the obligation.

III. BANKING RELATIONSHIP

The relationship with Banco Hipotecario has been satisfactory. Credit was difficult to obtain in the past because of carry-over past due loans. Some of this debt has been purchased by the BCR alleviating the situation, whereby they can continue to finance their short term credit needs. However, there is a need for investment credit which is not available at present. Their investment plans are on hold, a situation that will continue into the future.

The loans are supported by the guarantee fund of the BCR. The fees charged for the guarantee add another burden to their financing costs and its felt that this is not acceptable. They must bear this additional load, since they have past-due loan carryover, which will be reduced this year. At present, \$1 million have been refinanced under BCR repurchase loan program, enabling the cooperative to continue operating with short term crop loans.

Refer to Table I "Créditos Otorgados a la Cooperativa Nueva Guayapa" for crop financing loan breakdown.

IV. COMMENTS

They have completed their crop budget for the new crop year which will be utilized as follow:

- ₡968,000 - 150 mzs. to seed corn;
- ₡207,600 - 60 mzs. black eyedpeas
- ₡113,600 - 40 mzs. to okra;
- ₡246,600 - 137 mzs. sugar cane (old plantings);
- ₡438,000 - 100 mzs. sugar cane (new plantings).

The president of the cooperative worked for a bank for several years and brings financial experience to the management of the cooperative. This knowledge has enabled him to negotiate lines of credit for their crop needs and do some forward financial planning. The other members of the management team were not very impressive and appeared to have very little training in management.

The land preparation appears to be good. The land is double cropped, a farming practice that makes better utilization of the tillable land. Their farming implements are old and there is a need for new equipment to better mechanize the operation.

The president has plans to start a new phase of operations for this cooperative, by obtaining credit for long term investment projects, which can benefit the operating efficiency of the cooperative. The corn drying facility will be modernized in order to increase the productivity of the workers. Plans are being made to purchase a new tractor and farming implements to be financed for three (3) years. This investment will test

their resources at the present time, but the successful implementation of this long term investment will very beneficial.

We gained a good impresion of the management team whose president showed an excellent command of the operation's management. The critical negative factor is the loss of income from the export of melons which add another burden to the loss carry over.

Their balance sheet for fiscal year end June 30, 1990 shows a capital deficit of \$480,604.94. The deficit net worth continues to be affected because of the past carryover losses.

Their financial condition improved over the last few years, but the melon disaster will affect them severely. This carryover must be rescheduled for payment over several years.

Refer to Table II "Balance General al 30 de Junio de 1990" for the complete financial condition.

COOPERATIVE VISIT

NAME OF COOPERATIVE: HOJA DE SAL
DATE VISITED: MAY 7, 1991
INTERVIEWED BY: MANUEL SALSA
PURPOSE OF VISIT: MEET AND INTERVIEW THE BOARD OF DIRECTORS AND MANAGER; PERFORM AN ON-SITE INSPECTION OF THE ARC'S FARMING PRACTICES, AND TO DISCUSS THEIR NEEDS IN RELATION TO THE AGRARIAN REFORM LINE OF CREDIT 519-0307

OFFICERS INTERVIEWED: CHAIRMAN: ADILIO DE JESUS RENDEROS
COMMITTEE CHAIRMAN: JESUS GRANDE
VICE-PRESIDENT: DOMINGO SOTELO
MANAGER: MARIO HIDALGO
FINANCE: JOSE ANGEL GRANDE
SECRETARY: VICTOR MANUEL ANGEL
ISTA REPRESENTATIVE: JUAN FRANCISCO GUILLEN

I. COOPERATIVE HISTORY

1. The cooperative was organized in 1980 under the provisions of the Agrarian Reform Law.
2. The cooperative 160 members forming a family population of 960 people which has doubled in the last ten years of operation.
3. They have a satisfactory banking relationship with Banco Agrícola Comercial de El Salvador with loan outstandings of \$1,036,614.40, all loans are current at present. There could be a problem with the loans of \$494,940 to grow melons for export, which mature now. Export loan proceeds have not been received and the possibility exists that the importer may not pay as agreed.
4. The land area of the ARC is 1559 manzanas, of which 1189 manzanas are under cultivation. The land in crop production

and in natural state is as follows:

Sugar Cane	240 mzs.	Blackeyed Peas	14 mzs.
Bananas	60 mzs.	Corn (ensilage)	15 mzs.
Corn	126 mzs.	Pasture	442 mzs.
Melons	33 mzs.	Natural pasture	156 mzs.
Watermelons	55 mzs.	Forest Land	300 mzs.
Sesame seed	48 mzs.	Infrastructure	70 mzs.

T o t a l 1559 mzs.

5. The ARC management has developed a good dairy herd and a cattle fattening operation. The cattle breakdown is as follows:

Milk cows	96 (these are mostly Brown Swiss)
Milk cows	73 (these are mixed Brown Swiss and Brahama)
Steers	47 (consisting of calves and fattened animals)

6. The committee members are paid for their services and have one manzana to farm. They feel that the remuneration is not enough to cover the entire needs of a farm family. The expectations for increased income is not good at this time, however, as the ARC develops its income base, they expect to share in the profits.
7. Each cooperative member is given one manzana to farm as he wishes and to derive profit or for their family use. This use of land by the members has not created any problem at this ARC.

II. BANKING RELATIONSHIP

Loan Commitments and Outstandings
As of March 31, 1991

CROPS AND CATTLE	LOANS COMMITMENT AMOUNT ¢	AMOUNT REDISCOUNT. ¢	AMOUNT PAID ¢	LOAN BALANCE ¢
Plátano 89/90	144,250.00	144,189.04	144,189.04	0.0
Ganado engorde 90/91	590,000.00	382,251.50	0.0	382,251.50
Sandía 90/91	195,250.00	116,087.10	0.0	116,087.10
Melón 90/91	494,940.00	494,940.00	0.0	494,940.00
Sandía 89/90	90,560.00	90,489.94	90,489.94	0.0
Melón 89/90	252,756.00	249,889.75	249,889.75	0.0
Ajonjolí 89/90	89,500.00	43,335.80	0.0	43,335.80

The relationship with Banco Agrícola Comercial de El Salvador continues satisfactorily. They have been in the Reforma Agraria Plan since inception of the program. The program has enabled this ARC to diversify its farming operation to provide more employment and become a profitable entity. The main objective of management has been to increase agricultural production, and participate in the export of non-traditional commodities (melons). This strategy has been successful in the past, but last year's export melon crop, although excellent, suffered because of low melon prices in the U.S. market. The loss must be made up from other sources which represent difficulty of payment.

It was stated that the guarantee fund will be used for this year's crop needs. The diversity of production has been instrumental in providing the income needed to continue improvement of the operation.

III. COMMENTS

The impression of management was good, with all of the board members enthusiastic about the future. All believed that the financing under the Agrarian Reform Plan was adequate for their crop financing needs, but did not meet their needs for long term investments. Flooding in the past years has been a problem because the ARC property lies between two rivers. They have needed funds for tractors and implements to shore up the river banks. Most of this work has been done with the ARC's own funds which has been a very heavy financial load. For the current crop season, there is shortfall of irrigation water because of some problems with the pumps and water wells.

Management will be meeting with the bank to submit their crop budget and request some funds for investment. The investment funds are to be used for flood control and improvement of irrigation.

During the crop harvest season the ARC provides additional jobs for 300 workers who are hired from the surrounding areas. About 80 of the families living in the approximate area are dependent on the jobs that are provided by the ARC.

The critical negative factor is the loss of income from their melon exporting venture. This has created a very cautious attitude of management to continue growing non-traditional crops. For the current crop season, melons for export will not be grown.

168

Field Trip Report

NAME OF ARC: Cooperativa Tonalá de R.L

DATE OF VISIT: May 4, 1991 **By:** PERCY AVRAM

PURPOSE: To evaluate the activities, performance and progress made with credit obtained under the Agrarian Reform Funding program No. 519-0307.

OFFICERS INTERVIEWED: Luis Sarmiento - Manager
Oscar Saul Lopez - President
Nemesio Rodriguez - V. President
Carlos Armando Zavalla - Treas.
Arnulfo Alas Valle - Sec.
Manuel Antonio Roman - Tecno-Serve.

I. BRIEF BACKGROUND

1. This Agrarian Reform Cooperative was visited in 1988 during the mid-term evaluation.
2. In 1988, there were 139 members (asociados). Presently there are 108 members, or a decrease in membership of 31 members. The principal cause for the decrease is emigration, however a small number refused to become active, and were therefore expelled and not replaced.
3. The matter of who, what, and how the shares and equities of members both living and deceased are treated in the ARC is not

1168

clear. In recent discussions held with ISTA, the ARC members approved a decision to keep the cooperative as a unit, and not to parcel it out, and return again to the "minifundio".

4. The ARC does its banking with Banco Salvadoreño, and is well pleased with the service and the relationship that has developed. For the 1990/91 season, this ARC was indebted in the amount of €8,123.000 with payments falling due as follows:

Credito Avio -	due in 1991 -	€1,008,600
Credito de Inversion -	due in 1991 -	470.000
Refinanciamiento -	due in 1991 -	260.000
*Credito de Inversion -	due in 1993 -	1.050.000
*Credito de Inversion -	due in 1994 -	350.400
*Refinanced (BCR/ISTA)	due in 2010 -	€ <u>4,984,100</u>

Of the above loan amount, the sum of 1,729.100 has been paid as at this date, leaving the 1993/1994 and 2010 (*) amounts to be paid. None of the loans are past due.

5. The ARC officers stated that their present cash position would also enable them to pay their principal and part of the interest in their long term BCR/ISTA loan, as and when it becomes due.

6. The surface area of this ARC consists of 800 mzs. broken down as follow:

170

	<u>1988</u>	<u>1990</u>
Platano	142 mzs.	---
Arroz	155 mzs.	---
Maiz	66 mzs.	---
Cana	41 mzs.	420 mzs.
Livestock (Pasto)	356 mzs.	340 mzs.
Infraestructure	<u>40 mzs.</u>	<u>40 mzs.</u>
	800	800 mzs.

The switch from other crops to cana was adopted for two main reasons:

- i) Sugar Cane as a crop has stable prices, and provides employment for more of the asociados, and
- ii) it is a crop that does not lend itself to theft by the asociados and/or others.

The ARC officers felt the present cropping and livestock arrangement was more profitable than the former.

7. Current loan needs for the 1991-92 production season are calculated to run at about 2.8 million and feasibility studies along this line have been made in conjunction with Banco Salvadoreño and approval is assured.

8. This ARC is engaged in the dairy industry. And owns 620 head of cattle and 30 horses. The ARC is currently milking 198 head. All milking is done by hand. Their current milk production averages about 1400 litres daily at 1.90 per litre.

9. The ARC is a recipient of technical and management counselling from Tecno-Serv Inc., The fees paid to Tecnoserve, Inc. amount to 500 per month, and for this sum Tecnoserve provides the service of an agronomist, a veterinarian and a management advisor. The ARC officers appeared well satisfied with this service.

II FINANCIAL CONDITION AND OBLIGATION (3/31/90)

1. The financial statement for the FY ending 3-31-90 reflected assets of 7,253,955 - the liabilities side shows short term debt of 3,682,726, a long term debt of 8,567,642 making the two debt obligations to add up to 13,250,368. When the current and prior years losses amounting to 4,996,413 are deducted from the loan funds, the liabilities of 7,253,955 balance with the assets. The reality of the situations, and the accumulated annual losses are financed by the depreciation capital and borrowed funds.

2. This ARC has a good, but inadequate cash flow to enable it to cover its operating costs, and meet its short and long term financial obligations. The fact of the matter is that this ARC has been consistently operating at a loss. The year ending 3/31/91 appears to have produced a profit, however the financial statement had not yet been produced, therefore the amount was speculative.

172

3. Tonalá ARC is financed under the rediscount line of credit by Banco Salvadoreño. When the BCR gave Banco Salvadoreño the option to sanitize the loan portfolio of this ARC, the sum of 4,986.019 was sold by the Banco Salvadoreño to FRAP. This amount has been eliminated as a debt from the ledgers of the bank, but still remains as a liability that the Tonalá ARC must repay over a longer term to ISTA.

III OBSERVATIONS AND COMMENTS

1. The current crop of of sugar cane production coupled to the livestock and dairy production could make for a profitable mix. A fine tooth comb analysis of the operating costs could add to the income of the ARC.
2. Milk production appears to be down from the reported 2,060 litres daily in 1988 to 1400 litres at the present time. An analysis of this situation should also be undertaken.
3. An improvement has been noted in the administrative capability of the manager, and this should auger well for the ARC if an attempt is made to retain his services.
4. Both the ARC directors and the manager felt that more training was required at their level of operation.

173

5. The ARC appeared satisfied with its banking relations with Bco. Salvadoreno. The credit was both adequate and timely. They were not certain about a need for the Guarantee Fund for their ARC, which they felt would add an additional 2 points to their interest cost and only provide 70% coverage in case of an inability to pay.

Field Report

NAME OF ARC: Cooperative Cara Sucia de R.L.

Departamento de Ahuachapan

DATE OF VISIT: May 2, 1991 **By:** Percy Avram

PURPOSE: To interview the Board of Directors and Manager with regards to their credit operations.

OFFICERS INTERVIEWED:

Franciso A. Castro	- Manager
Leopoldo E. Palma	- ISTA Facilitation
Pedro Franco	- Vice - Pres.- Board
Jorge Retana	- Sec.- Board
Isidro Alfaro	- Treas.- Board
Juan Monge	- Sec.- Supr. Committee

I. BACKGROUND:

This Agrarian Reform Cooperative was visited and interviewed during the mid-term evaluation of 1988.

2. The number of members has been reduced from 500 in 1988 to 485 at this date. The cause in the reduction is due to emigration. Members who are pensioned or die are replaced by other family members.
3. This ARC does all its banking with Banco Salvadoreño. During the 1990-91 season, this ARC obtained Avío credit of 2,656.500. Loans outstanding for crédito de inversión amount to 3,449.700. The repayment dates for these loans are varied, but none of the required payments were past due at this date (see annex attached). The ARC feels it has a good

working relationship with the bank, and this was substantiated by the Banco Salvadoreño when visited.

II. CHANGES OBSERVED:

The following table will illustrate the change that occurred in the operation of this ARC between the mid-term visit of 1988 and the present visit.

	<u>1988</u>	<u>1991</u>
Total Number Of Manzanas	2800	2800
No. Of Mzs. Cultivated	2389	2800
No. of Livestock Cattle	58	47
Horses	110	125
Corn and Mellons	160	456
Sandia	50	-
Sugar Can@	560	651
Platano	200	-
Pasture	525	525
Member Holding (1.5 mz. per member)	500	720
Housing	70	100
Marigold Flowers	-	20
Forest	85	85
Infrastructure	100	100
Cañon (Salhon El Chino)	139	139
Landing Field	-	4
Idle or unaccounted for	<u>411</u>	<u>-</u>
	2,800	2,800

1. The ARC eliminated the production of platano and sandia, and placed this area into the production of corn, mellons and more sugar cane. This diversification has brought about the following benefits:
 - i) Increased income for the ARC, which has enabled it to meet it's debt load obligations.
 - ii) Increased employment and income for its members, and
 - iii) Eliminated in great part, the crop theft that the platano field was experiencing.
2. Another notable change is the placing of the idle land into use, and the increase in the member parcel (for their personal use) from 1 to 1.5 mzs.
3. The question of the number and use of the horses was raised, and the officers indicated that they were examining this situation, with a view to reducing their number and increasing instead the number of cattle.
4. This year the ARC is experimenting and has contracted with Agricola Samayoa Lopez Avila to plant 20 mzs of Marigold flowers, a plant used to produce food coloring.
5. Wages for the members and others working on the ARC have been increased from a daily rate of 13.16 in 1988 to the current rate of 14.91. A bonus is paid twice annually (Dec. & May) to its members.
6. The housing project started in 1986-87 saw the completion of 285 houses, out of a total of 400 which were initially planned. This activity is behind schedule.

On the whole, it appears that the physical changes made and observed are positive and in the best interests of the ARC and its members.

III Financial Condition and Obligations

1. The balance sheet as of April 30, 1990 shows total assets valued at 13,801,948, offset by corresponding liabilities of the same amount. When compared to the balance sheet of April 30, 1988 assets show an increase of 1,674,822 which is made up of increase borrowing for working capital.
2. Other aspects of the balance sheet were not examined in detail, except to emphasize the fact, that the ARC had an operating profit of 242,859 for fiscal 1989/90 as compared to a loss of 279,612 for fiscal 1987/89. This is an improvement in earnings of 522,472 and speaks well for the administration and other changes applied.
3. Long term indebtedness to ISTA of more than 48 million remains on the books, with no payments noted in their financial records. Furthermore, an operating deficit of 3.67 million accumulated from prior years has been refinanced by ISTA over a period of 10 years at 14% interest with a grace period of three years.
4. As noted in the mid-term evaluation, this ARC has no Depreciation Reserves. The accumulated depreciation of former years has been used as operating capital, and this does not make provision for asset replacement when such will be

required.

IV. Observations and Comments.

1. The fields and crops inspected, all appeared to be in good condition. The fields for melon production were ready for planting and the planting is targeted to enable the harvest to coincide with the season when prices are best for the export market.
2. Continued poor management and care of buildings, equipment and facilities was noted. Most of the buildings are in run-down condition. One of the garages is housing a number of old tractors requiring repairs, but which appear abandoned, while newer equipment (truck, tractor) were outside exposed to the elements. The ARC's offices were poorly maintained.
3. The question continues to raise its head as to whether 2,800 manzanas of land, 85% of which is in some form of crop production, is adequate to sustain the living standard for approximately 3,000 inhabitants, and to enable the ARC to repay its long term debt to ISTA for the land and facilities.
4. A previously planned project involving the production of shrimp was shelved. The ARC invested 225,000 in the feasibility survey for this venture and suffered this loss.
5. The directors interviewed and the manager expressed satisfaction with the manner in which the credit needs of the ARC were being furnished by the Banco. Salvadoreno. They were also satisfied with the placement of a facilitator by ISTA in

148

their ARC, and were optimistic about their future potential. There was a feeling expressed that mutual understanding between the ARC and other agencies was very good.

COOPERATIVE VISIT

NAME OF ARC : Cooperativa Santa Clara No.2

LOCATION : Canton Talcualuya, Municipio de San Luis Talpa, Departamento de La Paz

DATE OF VISIT : May 3, 1991

VISITED BY : Pedro C. Perez-Gabino and Ing.Agr.Carlos Carcamo-Agente de Credito

PURPOSE OF VISIT : Observation visit to evaluate the services performed by the credit agents/supervisors and gather a quick impression on the operational performance of the cooperative.

OFFICERS INTERVIEWED : Raul Morales Salazar, Gerente; Juan Ruiz, Vocal del Consejo de Administracion and Agricultural Cost Control Officer, and Jose Tito Quezada, Vocal del Consejo de Administracion.

BANK RELATIONSHIP: Banco Cuscatlan

I. Background and Other Information:

1. This ARC was organized in early 1980 under the Agrarian Reform provisions.
2. There are 561 persons (heads of families) in the organization as members; average family size is of six persons, bringing the total enterprise population to over 3,300.
3. The surface area under production of the cooperative consist of 1,223 manzanas, broken down as follows:

Corn	--	304 mzs.
Cotton	--	302 mzs.
Sugar cane	--	206 mzs.
Ajonjoli	--	193 mzs.
Rice	--	149 mzs.
Vigna	--	40 mzs.

Melon -- 24 mzs.

Total..... 1,223 mzs.

The cooperative has a herd of 3,939 heads of livestock, both for beef and dairy. The monthly income for the dairy activities is 200,000 colones and for beef 60,000 colones. The livestock activities are divided into 5 sectors and each sector is controlled by a member of the cooperative.

II. PAST DUE LOAN

1. The cooperative has a past due loan in the amount of 1.6M. with Banco Cuscatlan, due to the low production collected of cotton (members apathy and indiscipline) and 400,000 colones in the corn operations. The Manager of the cooperative indicated that this problem will be solved in the near future by selling some of the corn that the cooperative is keeping in their warehouses.

III. PROJECTED CREDIT NEEDS FOR THIS YEAR

1. The cooperative projected credit needs for the year are as follows:

. Rice	-----	187,616	colones
. Ajonjoli	-----	481,580	" "
. Soya	-----	180,880	" "
. Vigna	-----	207,600	" "
. Corn	-----	402,480	" "
. Maicillo	-----	155,000	" "

Total.....1,615,156 " "

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III. UTILIZATION OF OWN FUNDS - PRODUCTION ACTIVITIES

1. The cooperative is using its own funds for some of the Ajonjoli, Vigna, and the Livestock production activities.

IV. OTHER COMMENTS AND OBSERVATIONS

1. A rough estimation of the credit needs of the cooperative, prepared by the Manager, for working capital and investment credit, in addition to the existing needs, amounted to a little over 5.0 million colones. The cooperative will elaborate a detailed analysis of their future credit needs and present to the Cuscatlan Bank for analysis and consideration.
2. The training needs of the cooperative are the following:
 - a. General Administration.
 - b. Financial management aspects.
 - c. Marketing techniques applicable to all the productive areas of the cooperative.
 - d. Modern agricultural and livestock technology and techniques.
 - e. Analysis of the cooperative operations and control techniques for the Board of Directors and other committees.

FIELD REPORT

NAME OF ARC: Cooperativa de la Reforma Agraria
Hacienda La Carrera

DATE OF VISIT: May 6, 1991 By: Pedro C. Perez-Gabino

BANK RELATIONSHIP: Banco Hipotecario

OFFICERS INTERVIEWED: Mr. Sebastian Obdulio Varela, Administration Manager, Pedro Mendoza, Promotor Social

I. Brief Background

1. This cooperative was organized in June, 1980, under the provisions of the Agrarian Reform Law.
2. There are 528 active members (average 6 persons per family).
3. Surface area of this cooperative consist of 4,000 mzs., of which the cultivated area is broken down as follows:

1,392	mzs.	of cotton
431	"	platano
156	"	cacao
188	"	coconut
100	"	corn
225	"	maicillo
410	"	improved pastures
337	"	regular pasture
140	"	sesame
40	"	rice
100	"	salineras (salt processing)
40	"	bosques
10	"	fish ponds
20	"	achiote
50	"	maranon
60	"	cereals
90	"	melon
100	"	sea shore
111	"	infrastructure
4. The cooperative is engaged in the dairy industry and owns 1,162 head of cattle. Their milk production is 4,500 litres daily.
5. Their salt production for 1990/91 was 55,000qq.; they have 45,000qq. in their warehouse. They will be selling the salt to repay the bank the balance due for this year.
6. Honey bee production is 25 barrels of 6.60 qq. per barrel

1991

per day.

7. The cooperatives have a full time Production Manager and a Manager for Administration. Apparently, the operations are fairly under controlled. Each of the production operations are assigned to a foreman.

II. Other information:

1. Credit needs for 1991/92

a. Crop loans

. Cotton - 587mzs.	for	C. 3,970,400
. Corn - 190 "	for	444,600
. Sesame - 100 "	"	268,500
. Soy beans 150 "	"	409,500
. Sorghum 600 "	"	1,500,000
. Rice 60 "	"	262,200

Subtotal		C. 6,855,200
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b. Other Crops

. Coconut 188mzs	236,000
. Cacao 156 "	482,660
. Platano 431 "	1,260,000

Subtotal		1,978,660
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c. Refinance Cooling Tank Trucks	362,040
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Total		C. 9,195,900
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2. 1990/91 loans due will be paid by selling cotton, cacao and platano harvested and the selling of salt.

3. Share capital C. 265,658 - As most of the ARCs the capital formation is deficient.

4. They are required by the Banco Hipotecario to keep deposits for 20% of the outstanding loan balance with the bank.

5. Social Services:

- . Provide help in the construction of houses for the members.
- . The cooperative pay the salaries of the teachers for the schooling of the member's children.
- . Health clinic - Cooperative pays the salaries of the personnel.
- . Medicines - Cooperative sells at cost.
- . Emergency loans to members are provided.

6. Two technicians from ISTA (Agrarian Reform Agency) assigned full time in the cooperative to provide some technical help

185

and facilitate other technical assistance.

The cooperative needs technical assistance to improve the management capabilities. There is a great potential for develop this cooperative as a well run cooperative enterprise. An overall evaluation should be prepared to identify areas for improvement and proceed with the design of a training plan.

COOPERATIVE VISIT

NAME OF ARC : Cooperativa de la Reforma Agraria Agua Fria

LOCATION : Canton El Capulin-Jurisdiccion de Colon, Departamento de La Libertad.

DATE OF VISIT : May 3, 1991

VISITED BY : Pedro C. Perez-Gabino and Agr. Carlos Carcamo from Banco Cuscatlan.

PURPOSE OF VISIT : Observation visit to evaluate the services performed by the Credit Agents/Supervisors and gather a quick impression on the operational performance of the cooperative.

BANK RELATIONSHIP: Banco Cuscatlan

I. Background and Other Information

1. The cooperative was formed under the Agrarian Reform Law in early 1980. Operations started with 230 members; at present the cooperative is serving 404 members (heads of families). On the average, the family size consist of six persons, bringing the total enterprise population over 2,400 persons.
2. The initial cultivated area of the cooperative consisted of 1,643 manzanas; at present the cultivated area consist of 1,705 manzanas, all under coffee cultivation. Average production output now is 30,000 qq.

II. Administration

1. The daily operations of the cooperative are under the responsibility of the Board of Directors with the President of

181

the Board calling the shots, at honorem.

2. Management tools like budgeting and control, cash flow preparation and control, preparation of a business development plan and other managerial tools either not prepared or its application as a management control tool is not done. Nevertheless, the President of the Board is very enthusiastic and try to empirically manage the operations. The most important activity of the organization, the marketing of the coffee production is not performed adequately, the decision of when to sell is not technically done and left to the member's desires. When the price of coffee was \$90 per quintal, FOS, the technician from Banco Cuscatlan recommended the sale of the coffee but the members did not authorized the Board of Directors to proceed. At the time of this visit, the price of coffee was already \$83 per quintal. To this you have to add the interest cost and other cost like warehousing and other risks that could affect the effective price of the product. This situation, if not solved adequately and on time, could produce heavy losses to the cooperative.

III Capital Mobilization

1. The cooperative retain 10 colones per quintal of coffee exported which is credited to the "capital social". The capital of the cooperative is 285,000 colones.

IV. Financial Condition

There is no need to analyze and calculate relationships and operating ratios for the cooperative to find out the delicate financial condition of this cooperative. The cooperative de-

velop its operations with external funding (credit) with almost no equity and real assets to cover its liabilities.

V. Credit projected for this year

The credit needs presented to Banco Cuscatlan for this year are as follows:

.Crop Loan -----	8.0 million colones
.Working Capital-----	3.0 " " " "
.Investment credit-----	548,625 colones

Total	11,548,625 colones
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VI. Training Needs

The Cooperative's officers interviewed identified the following training needs:

1. All phases of cooperative management (i.e.,Preparation of business development plan, preparation and managing the budget, preparation and managing cash flow, risk management, coffee marketing techniques, accounting, financial statement analysis and interpretation, internal control systems, etc.).
2. Training in modern coffee cultivation and maintenance techniques.

DATA ACQUIRED ON BANK INTERVIEWS

NAME OF BANK; BANCO SALVADOREÑO
DATE OF VISIT; MAY 2, 1991
INTERVIEWED BY: PERCY AVRAM
NAMES OF INTERVIEWEES: ING. MARIO MARAHONA, CHIEF OF THE AGR.
CREDIT DEPT. AND ING. PABLO TOLEDO, CREDIT
AGENT.

I. INTRODUCTION

I. This bank undertook the extension of credit to Agrarian Reform Beneficiaries in 1980 when the Commercial Banks were nationalized and were instructed by the GOES to participate in the Agrarian Reform transformation program.

The Banco Salvadoreno (BS) had 18 Agricultural Reform cooperative (ARC's) as clients, but due to loan delinquencies and other problems, 2 of these ARC's became ineligible for further loans, thus leaving a net of 16 ARC's which are currently serviced by this bank.

The BS experience in lending to these 16 ARC's is good, and in the opinion of the bank, the bank/client relations are very good.

II. COMPARISON OF LOAN AMOUNTS AND CONDITION

Table I

KIND	LOANS GRANTED		LOANS OUTSTANDING		AMOUNT PAST DUE		PERCENTAGE PAST DUE	
	9/30 1988	3/31 1991	9/30 1988	3/31 1991	9/30 1988	3/31 1991	9/30 1988	3/31 1991
Cr. Inversión	10,291,397	19,358,762	9,374,258	10,977,585	0	1,095	0	.056
Cr. Avfo	11,641,446	42,836,834	2,495,689	16,206,075	0	240,783	0	5.6%

SOURCE: 1988 Figures from Mid-Term Evaluation
1991 Figures from UTFRA (Accumulated)

1. The above table reflects a positive performance for this bank over a four year period, with regard to its lending and collection operations with the 16 ARC's it serves. The bank still considers this type of lending extremely risky, since the only guarantee for the repayment of the loans, rests with the productive capability and integrity of the ARC's.

2. One ARC, namely "La Reyna" which is constituted of Agrarian Reform Beneficiaries 207, has defaulted on its loan of approximately 1.7 million, thus leaving the bank holding this debt, and the optimism of the bank's officials is somewhat dampened by this event.

191

3. This bank was interviewed at the mid-term evaluation and review. At that time the preparation, submission and approval of loan applications by the bank took from 2 to 3 weeks. This, when coupled to BCR approval, ran into months. This procedure has been streamlined, so that currently, loans for Avio purposes can be approved and disbursed within 8 days, and a maximum of 30 days for inversion loans.
4. This bank felt strongly that the 307 Rediscount Line of credit was working well, and that there was a real need for it. In fact, the feeling was expressed by the interviewees, that the ARC's and the bank were somewhat concerned that a discontinuation of Project 307 would take place after the contract expired.
5. The officers felt that even if project 307 was not extended, the current ARC's they do business with, would continue to be served, but perhaps on a more restricted basis - since the ARC's have little or no collateral to offer, besides their production capability.
6. This bank suffered a blow from a FINATERO coop set up by ISTA under Decree 207. A FINATERO coop is one in which each person owns his respective parcel of land. The coop obtains a loan en masse from the bank, and distributes the loan amount on an individual basis to each member, for which the member then becomes responsible for repayment. The Banco Salvadoreno acting in good faith advanced an Avio loan of approximately 1.7 million to the "La Reyna" coop

402

for melon production. When the melons were harvested, the individual members opted to sell their melons privately, rather than through their coop, and at the same time neglecting to pay their loans to the cooperative. In turn, without receiving payment from its members, the cooperative defaulted in its payment obligation to the bank - thus leaving the bank with a past due and perhaps uncollectable loan. Situations of this nature are detrimental to the program, since as the bank personnel indicated - "this is bare faced corruption and moral insolvency".

7. The officers interviewed at this bank were of the opinion that the recently established Guarantee Fund was a "fifth - wheel" instrument, for which justification was hard to make due to the following factors:

- i) Coffee growers did not particularly have need for this Guarantee Fund, and their increased interest cost only served to subsidize the cereal crop growers. The same applies to sugar cane.
- ii) The contribution by the bank to the Guarantee Fund of 2% of the interest charged reduces the spread the bank currently enjoys by that amount, and simply reduces its income.
- iii) The Guarantee Fund only covers or pays for 70% of the loss. This appears inadequate on the one hand, and the question is raised as to who determines what and how much is the loss.
- iv) It was their feeling, that with privatization of the banks, the banks become more selective with their clients risk-wise, and that both the clients and the bank would save money without the need to rely on the Guarantee Fund. The opinion was expressed that BFA might profit more from the Guarantee Fund than the private

banks, while the premiums to offset payments for losses would come in great measure from the good clients and the private banks.

v) Observations and Comments:

1. The Guarantee Fund should be re-examined to ensure equitable and just treatment of all sectors. The Fund and its advantages should be promoted more intensely, if it is found to be an instrument of stability within the Agricultural Credit Sector.

2. With the PFI's assuming the full payment of salaries for the credit agents, consideration should be given to increasing the interest rate spread for the PFI's.

3. This bank, except for the experience with the melon growers of the La Reyna coop, is positive about it's future role for credit to the Reformed Sector in agriculture. The establishment of the Rediscount Line of credit, the employment of the Credit Agents and other policies and procedures introduced have been instrumental in creating this attitude and interest in the program.

196

BANK VISIT**NAME OF BANK: BANCO DE COMERCIO****DATE OF VISIT: MAY 7, 1991 BY: PERCY AVRAM****OFFICIAL INTERVIEWED: ING. VICENTE DE JESUS SERPAS
JEFE, DEPTO. DE CREDITO AGROPECUARIO****I. BACKGROUND**

1. This bank provides financial services to 15 ARC's which came from Phase I of the Agrarian Reform program. Based on transactions to date the experience is considered beneficial for the bank and the ARC's. Only one ARC (La Gloria) failed to meet its obligations and had to be dropped due to guerrilla activities.
2. A significant feature of the rediscount line of credit, was the BCR's placement and payment of salaries for two credit agents to work in the bank. In accordance with the BCR wage subsidy withdrawal policy, the bank is currently paying 75% of the salaries for these credit agents will assume 100% of the cost in 1992. In spite of this, the bank now feels the credit agents are an important factor in their bank/client relations and would continue their employment.
3. Prior to the introduction of the Rediscount Line of Credit, the bank had difficulty in financing medium and long term credit. Currently the bank is able to extend credit on a longer term basis to meet ARC needs for storage and transport facilities, crop diversification, coffee replanting, machinery and for financial strengthening of the ARC when conditions warrant.

195

II. LENDING EXPERIENCE

1. As at April 30, 1991 this bank had the following loan balances on its books with regards to Rediscount Line of Credit AID 519-0307.

(¢ 00)

KIND	AMOUNT APPROVED	AMOUNT REDISC.	AMOUNT REPAID	BALANCE	PAST DUE
Crédito Avío	19,221,742	15,256,108	9,707,432	5,548,675	---
Crédito Inversión	7,884,913	6,131,622	824,406	5,307,215	143,738

Source: UTFRA

2. As will be noted in the table, the loans granted under the rediscount line of credit and reported as of April 30, 1991 appear to be in good condition. The past due balance on the inversion loans of ¢143,738 is less than 3% of the outstanding balance.
3. The bank indicated that a few inversion loans which became due had to be restructured, however the ARC's borrowing from this bank are almost all coffee producers, and thus their ability to repay loans are extremely good. Out of a total number of 29 loans outstanding to 12 ARC's as at March 31, 1991 - 25 loans amounting to ¢18,765,465.00 were for coffee, 2 loans for cattle fattening amounting to ¢301,453.00, and 2 loans for ajonjolí for ¢152,824.00.

III. OBSERVATIONS AND COMMENTS

1. The agricultural credit department of this bank is well satisfied with the BCR services and considers the rediscount line of credit to have been a useful tool in expanding the bank's vision in servicing the agrarian reform sector. A firm opinion was expressed that the rediscount facility be continued.
2. This bank has made some limited use of the Guarantee Fund on loans advanced to ARC's. There was no strong feeling advanced either pro or con regarding the Guarantee Fund, but felt it would be used by the bank when the situation warrants.
3. The need was expressed for more training at the ARC level. Managers and directors are not adequately prepared to discharge the responsibility of their duties. The placement of the ISTA facilitators in the ARC's might help to rectify this situation, but much would depend on the capability of the facilitators.

BANK VISIT

NAME OF BANK: BANCO DE DESARROLLO E INVERSION

DATE OF VISIT: APRIL 30, 1991

INTERVIEWED BY: MANUEL SALSA

OFFICERS INTERVIEWED: ING. CARLOS ORELLANA - CREDIT

I. INITIATION OF PROJECT

The BCR originally assigned four (4) ARC's under the Agrarian Reform and Nationalization Plan. At the inception of the program, the Bank was not convinced of the soundness and collection of loans.

A criterion used by the BCR for the selection of ARC's for the participating bank is determined by the PFI's serving area. In some cases the ARC's are located in unaccessible areas during the rainy season. This increases the exposure of PFI and reduces the supervision of the credit. Given the low quality of these loans the bank resisted becoming a participant in the Plan, however, their experience has proven to be good.

The BCR assigned another two (2) ARC's increasing the bank's participation to six (6). The continuing experience with these borrowers has been good during the past two years. The bank has accepted another five ARC relationships from the BCR increasing participation in the program to eleven (11) relationships. The credit analysis process has been started to evaluate the credit needs of the new borrowers. It was stated that in the beginning the PFI assumed the entire loan risk of the refinance lines, creating uncertainty in the private banking sector, but with the

stated good experience the future of the Agrarian Reform and Nationalization Plan should succeed.

II. LOAN AMOUNT AND CONDITION OF LOANS

Total investment loans:	4,274,530.00
Total crop loans (avio):	7,495,940.00
Amount outstanding:	4,802,300.61
Declined investment loans:	0.0
Declined crop loans:	0.0

III. OBSERVATIONS AND COMMENTS

- A. The bank has two (2) agents who are assigned to process and monitor the credit needs of all the cooperatives. When the program was initiated, the BCR paid the salaries of the agents and they devoted their entire time to the Cooperatives. At present, the BCR pays twenty-five (25) percent of the credit agent's salary. The Bank utilizes these agents for other tasks, since they now pay the major part of their salaries. It was that they are capable of performing the additional tasks required by the bank.
- B. The credit agents of this bank have been very effective in providing a complete service to the cooperatives. In some instances, they provide counselling to the Cooperative management team in the areas of financial and crop management. Mr. Orellana is convinced that this agent program has been instrumental in providing an effective system for controlling their borrowing relationships in an effective manner.
- C. The credit controls employed by the credit agents are very intensive requiring weekly visits to the

1997

cooperatives. This process is needed to assure that funds are utilized in the manner authorized and that the crops are being attended satisfactorily. During the off season, the agents visit the cooperatives bi-monthly because of rains which impede accessibility reducing the supervision to the borrowers. However, since the inception of this program, Bank Management is satisfied with this method of supervision due to the low delinquency ratio of these borrowers.

D. The loan applications are completed, reviewed and approved by the bank's legal department and processed in an expeditious manner. The disbursements are very well controlled requiring that all loan proceeds are disbursed in accordance with the crop budget and the needs of the borrower. The credit agent administers a commercial account for the cooperative which they feel is essential in controlling the loan funds. Although the controls appear to restrictive, they are necessary in most cases because the cooperative's management team usually lacks management expertise.

1. The credit agent controls all aspects of the credit;

- All disbursementss are done by the credit agent;
- All salary payments are authorized by the credit agent;
- All purchase of cattle or major equipment is approved and controlled.

E. This Bank has been increasing its loan volume by more aggressively seeking out and lending to the cooperatives of the Agrarian Reform Sector.

- F. The loan approval procedure has been simplified since the BCR no longer insists in reviewing and approving all loan applications. The time period necessary for processing a loan has been reduced to fifteen days for crop production loans. This streamlined operation has been very beneficial to the participating bank and to the borrower. The participating banks in the Agrarian Reform Program now have the authority to approve all loans up to two million Colones. This has simplified the approval procedure further enabling the banks to operate more efficiently.
- G. The interviewed felt that the spreads were acceptable, but could be better, because of the intensive need for supervision. The loan transactions are profitable to the Bank and as the program develops, the cost of supervision should ameliorate with the passage of time.

IV. LENDING PROCEDURES

1. The credit constraint of most concern to the bank is the lack of training for the management team of the cooperative. This makes it necessary for the bank to exert maximum effort to supervise and council them in crop production and to assure that the loans are repaid satisfactorily.

Supervision is intensive and has proven to be very effective. The collection experience has been very good where this bank is willing to accept more cooperatives as borrowing customers.

The bank requires a crop assignment to assure that proceeds of crop sales are paid to the bank. There is no other type of guarantee available because the cooperative members do not hold individual title to property.

V. PRODUCT AND MARKET REVIEW

-The productivity of the borrowers has increased due to the accessibility of credit and some improvement in their farming practices. The interviewed felt that the Agrarian Reform Program has been very beneficial to this sector.

-Comments were made that the most deficient area of the Program is the training made available for the management team of the Cooperatives. The President of the Cooperative is elected for a term of two years and usually does not have management experience or the qualifications to be in management. There is a need for management training at the cooperative level with management courses developed to meet the needs of the cooperative administrator. The cooperative suffers disproportionately to the need to give more opportunity to the members to participate in management and the need for competent management. It has been recommended that the training entity investigate the needs of the president and address those needs avoiding a program with courses which are all included with many different levels of participation.

The loan management of this bank has improved measurably by the manner in which reporting and follow-up is handled. They have extensive reporting requirements which are followed by the credit agents. The follow-up is done on a weekly basis during the crop season assuring that the loans are used properly.

V. COMMENTS

To carry out its charge to provide loan funds to the agriculture in El Salvador, the BCR has provided agents for participating banks and formed UTFRA with supervisory agents to administer operating credit funds to eligible cooperatives.

The field staff of UTFRA are well education and have been very effective in their supervisory duties.

This bank has benefitted from the program as determined from the present interview. The bank appears to have sound lending policies and procedures in place. Since the last visit to this Bank there has been substancial improvement in collection efforts and in their marketing practices.

203

BANK INTERVIEW

NAME OF BANK: BANCO AGRICOLA COMERCIAL DE EL SALVADOR
DATE: MAY 2, 1991
INTERVIEWED BY: MANUEL SALSA
OFFICERS INTERVIEWED: MARIO A. GUEVARA, JEFE
 UNIDAD PROGRAMAS ESPECIALES

I. ORGANIZATION

Banco Agrícola has organized its credit department to include a special department devoted to the financing of loans under the rediscount Line of Credit 307 to the cooperatives of the Agrarian Reformed Sector. The department has been assigned a Section Head and two credit agents responsible for the credit needs of 16 cooperatives. The agents devote all their efforts to fulfilling the needs of these especial borrowers.

II. LOAN CLASSIFICATIONS

1. Name of Cooperative	Classification	Membership
Atapasco de R.L.	A	53
El Platanar	B	130
El Refugio	A	200
Hoja de Sal de R.L.	B	158
Los Mangos de R.L.	A	125
San Carlos III	B	30
Santa Adela	A	201
Las Cruces	A	63
El Aguacate	B	31
El Bosque	B	61
El Zacamil	B	79
Los Naranjos	B	90
San Antonio	B	150
San José de Luna	B	140
San José de R.L.	B	39
Las Colinas	B	130

204

2. Outstanding Loan Totals Line 307 as of 3-31-91:	
Investment financing	¢ 1,734,029
Crop financing	¢ 14,689,490
T o t a l	¢ 16,423,519

III. OBSERVATIONS AND COMMENTS

The bank has sixteen Agrarian Reform Cooperative credit relationships, of which all are active. Presently, the bank has not declined any loans requested by the cooperatives. All loans are current and the experience in this lending sector continues to be satisfactory.

It was stated that the bank is willing to lend to the Reformed Agricultural sector, always when the cooperatives do not have any delinquent loans at the time of requested new borrowings. A new relationship has been accepted and a line of credit for coffee production of ¢5,300,000 has been approved.

The two assigned credit agents are charged with responsibility to promote projects, analyze loan follow up, and to monitor borrower's progress during the crop year. The agent visits the cooperative clasiffied A monthly. Those classified C are visited during or after each disbursement of loan funds. A & B classified borrowers are on a rotation basis, where each one is visited at least once every month. During the harvest season, more visits to the farms are scheduled, to effectively assure that the harvest is progressing well and funds from the sales of products are applied.

There is a very close relationship with UTFRA whose invaluable assistance is called upon frequently. On all new credit relationships, consultation is made to determine the financial

205

condition of the cooperative and comments from UTFRA.

In the past, the bank had 3 cooperative relationships in the conflict area whose loan outstandings were past due. BCR has purchased these outstandings leaving the bank with no past due loans in the Agrarian Reform Sector.

It was stated that the present goal of the bank is to increase loan outstanding to this sector to \$30 million. They feel that this goal will be surpassed and outstanding could reach \$35 million at year end.

Two of the cooperative relationships have some social problems which have affected the production output to some extent. The problem concerns the attitude of the members relative to their relationship with the cooperative. The members have up to 2 manzanas to farm as they wish. This creates a problem, in the sense, that they will pay more attention to their own crops than the crops of the cooperative. This reduces the output of the cooperative and its income suffers.

It also was commented that due to the low level of education of the cooperative members, they do not understand the function of a cooperative. Comments were made that education courses should be offered for a level of education that could reach the members involved in the management of the cooperatives.

The bank has begun to use the guarantee fund even though they feel that it is too expensive. However, those cooperatives with high production are willing to pay the fees to have credit lines available for their needs.

DATA ACQUIRED ON BANK INTERVIEWS

NAME OF BANK: Banco Cuscatlan

INTERVIEWED BY: Pedro C. Perez-Gabino

OFFICERS INTERVIEWED: Agr. Jorge Zelaya Lozano
Sub Gerente Agropecuario
Agr. Carlos Carcamo, Agente de Credito

I. INITIATION OF THE PROJECT

Agrarian Reform Cooperatives (ARC's) were assigned to the different commercial banks under the Agrarian Reform and Bank Nationalization Plan of the GOES in 1981. Banks were to provide the ARC's with credit and financial counselling and monitoring crop and investment loans extended to them.

Currently this bank serves 21 ARC's with lines of credit from 519-0307.

The cooperatives, in general, are poorly managed, requiring for intensive supervision, increasing the per unit loan costs and risks.

II. Amount and Conditions of Loans (0307 Activity- 4/31/91)

	AMOUNT GRANTED	BALANCE OUTSTANDING	PAST DUE	PERCENTAGE
Crop Loans	43,237,080	11,298,588.86	-0-	-0-
Investment Loans	10,990,660	3,792,706.79	-0-	-0-

III. Observations

1. As of the date of our visit the loans under 0307 were in good condition, with the exception of one loan to Cooperativa Santa Clara, that is in arrear. This loan was for cotton production (302 manzanas) and due to the apathy of

207

The members in the collection phase the productivity per manzana (16.10 qq.) was insufficient to cover costs; the past due is 1.5 million colones. The cooperative is planning to repay the loan by selling some of the corn they have in their warehouses.

2. The Gerencia Agropecuaria is under Ing. Francisco A. Colacho and the Chief of the Departamento Agropecuario is under Agr. Jorgo Zelaya Lozano. There are 6 Ejecutivos Agropecuarios and one Credit Agent with 5 credit supervisors (salary of 2 of the supervisors is paid by UTFRA (25%) and by the bank (75%). The credit supervisors are assigned 100% to the cooperatives. The bank is planning to hire an additional credit supervisor to be assigned full time to 2 cooperatives that the bank considers require close control and additional technical assistance.

Regular visits every 15 days are made to cooperatives with difficulties and monthly visits to the normal ones.

3. Credit appraisals and decision takes from 10 to 15 days for cooperatives receiving loans up to 2 million colones and three weeks maximum for higher amounts requiring BCR participation.
4. 70% of the cooperatives are classified as class "B" and 30% as class "C". The bank willingness to work with the cooperatives seems to be favorable.
5. The bank requires from all of their cooperative lenders a compensating balance of 15% of the loan outstanding balance. Positive comments were received from the cooperatives

208

visited regarding this requisite.

9. Credit projected for 1991 for the ARC's is as follows:

.Crop Loans (corn,beans,coffee,rice,citrics,maicillo,ajon-
joli,vigna) and working capital ----24.6 M.Colones

.Investment Loans (coffee) ----- 2.3 M. " "

26.9 M.Colones

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DATA ACQUIRED ON BANK INTERVIEW

Name of Bank : Banco Hipotecario de El Salvador
 Interviewed by : Pedro C. Perez-Gabino
 Officers Interviewed: Mr. Alberto O. Rodriguez, Jefe Departamento Agropecuario
 Mr. Mauricio Garzona, Agente de Credito

I. Initiation of Project

Under the Agrarian Reform and nationalization plan of the GOES in 1981, Banco Hipotecario was assigned 43 agrarian reform cooperatives; 23 cooperatives which were classified as "D" and "E" were eliminated from prospective customers due to their credit rating. The bank provides credit and technical counselling and monitors closely credit provided to the cooperatives.

Presently this bank provides credit to 20 agrarian reform cooperatives with resources of the rediscount line of credit from Project 519-0307. Seventeen (17) of these cooperatives are classified as "B" and three (3) as "C". Refer to Annex I.

II. Amount and Condition of Loans (0307 Activity-4/30/91)

	<u>Amount Granted</u>	<u>Balance Outstanding</u>	<u>Past Due</u>	<u>Per- centage</u>
Crop Loans	34,723,144.63	4,736,196.71	-0-	-0-
Investment Loans	8,764,909.03	3,418,797.39	-0-	-0-

III. Observations and Comments

1. This bank has 1 credit agent and 4 credit supervisors providing for the credit needs of 20 cooperatives. The credit agent control and supervise investment credits and the credit supervisors are in charge of crop loans control and supervision. They kept separate credit folders for each cooperative assigned, which is updated every time the cooperative is visited.

2. Loan application is simple and adequate. A credit memorandum is prepared including all the loan requirements for bank committee approval. Loan processing time is acceptable, 13 days for loans up to 2.0 million and an additional week for loans over this amount. It use to take twice this time when the Department of Credit Analysis was in charge of the appraisals, this responsibility is now under the Departamento de Credito Agropecuario.

3. The cooperative is normally visited every two weeks by the credit supervisor to monitor the operations and to provide technical assistance. When training is needed, ISTA representatives provide it. The effectiveness of ISTA is considered acceptable in 5 of the cooperatives receiving credit from the bank, in the others is deficient. Most of their facilitadores are new and not too capable. They are satisfied with Techno-serve training capabilities and services.

4. Mr. Rodriguez stated that the loan spreads are acceptable to the bank and would like to expand the use of the line, especially financing coffee and sugar cane.

5. Mr. Rodriguez indicated that the Guarantee Fund should be evaluated and ammended. In principle he believe the fund is useful and should continue at a reduced cost, a higher coverage, and open to all cooperatives (including class "D" and "E").

A.I.D. EVALUATION SUMMARY - PART I

1. BEFORE FILLING OUT THIS FORM, READ THE ATTACHED INSTRUCTIONS.
2. USE LETTER QUALITY TYPE, NOT "DOT MATRIX" TYPE

IDENTIFICATION DATA

A. Reporting A.I.D. Unit: Mission or AID/W Office _____ (ES# _____)	B. Was Evaluation Scheduled in Current FY Annual Evaluation Plan? Yes <input type="checkbox"/> Slipped <input type="checkbox"/> Ad Hoc <input type="checkbox"/> Evaluation Plan Submission Date: FY ____ Q ____	C. Evaluation Timing Interim <input type="checkbox"/> Final <input type="checkbox"/> Ex Post <input type="checkbox"/> Other <input type="checkbox"/>
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D. Activity or Activities Evaluated (List the following information for project(s) or program(s) evaluated; if not applicable, list title and date of the evaluation report.)

Project No.	Project /Program Title	First PROAG or Equivalent (FY)	Most Recent PACO (Mo/Yr)	Planned LOP Cost (000)	Amount Obligatee Date (000)

ACTIONS

E. Action Decisions Approved By Mission or AID/W Office Director Action(s) Required	Name of Officer Responsible for Action	Date Action to be Completed

(Attach extra sheets if necessary)

APPROVALS

F. Date Of Mission Or AID/W Office Review Of Evaluation: (Month) (Day) (Year)

G. Approvals of Evaluation Summary And Action Decisions:

	Project/Program Officer	Representative of Borrower/Grantee	Evaluation Officer	Mission or AID/W Office Director
Name (Typed)				
Signature				
Date				

Handwritten initials/signature

ABSTRACT

M. Evaluation Abstract (Do not exceed the space provided)

The objective of the project was to assist the Government of El Salvador in the improving of the well-being of the agricultural reform farm families, through increased productivity of land and labor, and increased availability and productive use of credit. This project is being implemented by the Central Reserve Bank of El Salvador (BCR) through the Bank's technical unit for financing the reformed sector (UTFRA). The project receives technical assistance from Arizona State University. This final evaluation was conducted by Development Associates, Inc. Interviews were conducted with key staff at USAID, BCR, UTFRA, project participating financial institutions (PFI's), and project participating cooperatives. In addition, a variety of documents were reviewed and data prepared by UTFRA were analyzed. Most project objectives were attained except the full disbursement of the AID grant funds and the implementation of the savings mobilization pilot project that was dropped from the project at an early stage. The main achievements are: A delivery credit system is in place and people are trained; \$57.3 million has been loaned to targeted clientele; 682 loans to 195 cooperatives and 2175 loans to individual agrarian reform farmers has been granted; \$77.5 million of project funds has been used as of 3/32/91 and \$25 million remains unutilized, with over 98% collection experience, which we consider excellent; the team considers that the fact that only 28% of funds lent has been used for medium-term investment loans to be a shortcoming, however, the fact that the project recently has been amended to include the loan guarantee fund and the fact that the Banco de Fomento Agropecuario (BFA) has recently been approved as a PFI, will improve performance in this area if the project is extended as recommended in the evaluation.

The Evaluators considers two major lessons learned:

- As good as the credit delivery system is, you cannot force participating financial institutions to make loans when they are not satisfied with the credit-worthiness of the borrowers.
- Upgrading the credit-worthiness of the borrowers is essential to induce the PFIs to lend to them, and improving such credit-worthiness will involve a long-term process.

COSTS

1. Evaluation Costs

1. Evaluation Team		Contract Number OR TDY Person Days	Contract Cost OR TDY Cost (U.S. \$)	Source of Funds
Name	Affiliation			
2. Mission/Office Professional Staff Person-Days (Estimate) _____		3. Borrower/Grantee Professional Staff Person-Days (Estimate) _____		

213

A.I.D. EVALUATION SUMMARY - PART II

SUMMARY

J. Summary of Evaluation Findings, Conclusions and Recommendations (Try not to exceed the three (3) pages provided)

Address the following items:

- Purpose of evaluation and methodology used
- Purpose of activity(ies) evaluated
- Findings and conclusions (relate to questions)
- Principal recommendations
- Lessons learned

Mission or Office:

Date This Summary Prepared:

Title And Date Of Full Evaluation Report:

The main objective of the Agrarian Reform Financing Project is to enhance the well-being of the participating Agrarian Reform Farmers and their families. The vehicle used to achieve this purpose was the granting of credit and technical assistance needed to increase land production and labor by grouping the farmers benefitted by the Agrarian Reform in cooperatives. Some other farmers (very small operators) continued their farming productive activities individually. The implementation of the agrarian reform forced the issue of substituting the previous land-owners (hacendados) with the farm workers. These laborers suddenly became, by decree, entrepreneurs, without capital to operate the former haciendas and without the required managerial capabilities to manage an agricultural enterprise. To solve this problem, the following actions were taken: (1) the majority of the reformed sector beneficiaries were organized in cooperatives practically overnight; (2) USAID and the Government of El Salvador (GOES) agreed to establish a rediscount line of credit with grant funds from AID and GOES counterpart funds; (3) a technical assistance project was established with the Arizona State University (ASU) to provide the technical help needed to develop the project. Several assumptions were included in the project, which can be seen in the log frame of the project paper. All of the constraints for the adequate implementation of the project (i.e., establishment of a workable credit delivery/administration system, and provision of farm techniques) were identified, except one that proved to be especially important, the credit-worthiness borrowers. The cooperatives, quickly organized for the utilization of credit funds, did not have, in most cases, the technical and managerial capabilities to effectively fulfill that responsibility. As a result, AID grant and GOES counterpart funds were only partly utilized, with limited loans granted for medium-term investment. The commercial banks were reluctant to take additional risk by providing longer-term loans and loans for non-traditional crops. Also, the BFA, considered as the last resort bank, was excluded from the project at its onset. Nevertheless, recent amendments and corrective actions taken by the GOES and USAID will make possible the disbursement of total grant funds in a period not longer than two years (see the appropriate section of the final evaluation report).

The evaluation was conducted through the review of data presented by the technical advisors to the project, interviews with representatives from all participants in the project, and field visits to a number of the Phase 1 cooperatives.

Summary of Achievements, Findings and Conclusions are:

- A credit delivery system is in place and a cadre of technicians is trained.

214

SUMMARY (Continued)

- \$57.3 million has been loaned to targeted clientele.
- 682 loans to 195 agrarian reform cooperatives and 2,671 loans to 3,679 individual farmers have been granted.
- \$77.5 million of project funds have been used as of 3/31/91 which include funds that have been lent, repaid and relent, with over 98% collection experience, which the evaluators consider excellent. About \$25 million remain unutilized.
- The team considers the fact that only 28% of funds lent has been used for medium-term investment loans to be a shortcoming, however, the fact that the project recently has been ammended to include a loan guarantee fund and the fact that the BFA has also recently been approved as a participating financial institution, will improve performance in this area if the project is extended for two years as recommended in the evaluation.
- Improvements to the systems over the life of the project demonstrated that the initial slow performance could be improved.
- Technicians became more skilled.
- Timely delivery and quality of technical assistance was crucial.

Two major lessons learned are:

- As good as a credit delivery system can be, you cannot force participating financial institutions to make loans when they are not satisfied with the credit-worthiness of the borrowers.
- Upgrading the credit-worthiness of the borrowers is essential to induce the PFI's to lend, and improving such credit-worthiness involves a long-term process.

ATTACHMENTS

K. Attachments (List attachments submitted with this Evaluation Summary; always attach copy of full evaluation report, even if one was submitted earlier; attach studies, surveys, etc., from "on-going" evaluation, if relevant to the evaluation report.)

COMMENTS

L. Comments By Mission, AID/W Office and Borrower/Grantee On Full Report

2/6

APPROACH FOR TRAINING PHASE I COOPERATIVES

1. Take an inventory of existing cooperatives and group them in terms of capabilities, constraints, needs, potential for improvement.

Short-Term

Medium-Term

Long-Term

Improvements can be introduced immediately without many difficulties.

Can introduce improvements in a relatively short period of time.

Need more time for introducing improvements.

Training plan to be implemented immediately based on felt needs and other areas which will be indicated later.

Training plan to be implemented after short-term training is completed or simultaneously, giving priority to critical areas.

2. The training plan should be oriented to solve felt needs (general administration, financial management and other technical needs) using a practical approach. Training provided must require from the participants the preparation of an action plan for their cooperatives that includes action steps, documents to be prepared, an implementation plan, the cost of implementation, the source of financing it, etc. The training program should be oriented to specific needs and the participants should be drawn from the cooperatives having those needs. The training should be developed using the workshop approach. As part of the training plan, the technicians in charge of the training should program follow-up visits to the participating cooperatives to make sure that the implementation activities are done correctly.
3. Among the subjects to be included in the training activities are the following:
 - a. Preparation of a business development plan for the cooperative based on the goals and objectives of the organization and its needs.

217'

- b. Preparation of the operating budget of the cooperative and learning how to analyze and control it.
- c. Preparation of cash flow, its use and control.
- d. Analysis of the report of operations of the cooperative and how to use it in analyzing and planning the cooperative activities.
- e. Managing liquidity to prevent liquidity crises.
- f. Managing cash and learning the importance of cash budgeting.
- g. Capitalization system - equity capital - functions of capital
- h. Managing risk
 - Identify the tools of risk management
 - Describe the elements of internal control
 - Discuss the importance of the annual audit
- i. Adequate account system with accounting procedures manual and importance and requirement of timeliness in preparing accounting statements monthly and annually.
- j. Management Information Systems.

ANNEX 14

THE FIVE PRIMARY RECOMMENDATIONS OF THE EVALUATION REPORT
(In descending order of priority)

The Mission Evaluation Board, in its review of this report, requested that an additional annex be provided that summarized the five major recommendations of the report and presented them in descending order of priority.

This annex is in response to that request:

RECOMMENDATION #1: The Agrarian Reform Financing Project should be extended for two more years. As an extension of this recommendation, it is believed that ASU and AFTRA should be kept in place with appropriate changes in their roles.

RECOMMENDATION #2: Training and technical assistance to lenders should be focussed particularly on the BFA because private banks which have been the principal participating financial institutions are not likely to expand their positions and likely will be cutting back their exposure to the Reform Sector.

RECOMMENDATION #3: Enhanced training and technical assistance to upgrade management and farming capabilities, hence the credit worthiness of Reform Sector borrowers, is essential to Project success.

RECOMMENDATION #4: The line-of-credit approach to cooperative lending should be implemented effectively in order to encourage the use of financial resources within a comprehensive, planned, multi-year approach to improving the productivity of land.

RECOMMENDATION #5: The new BCR Guarantee Fund should be reviewed in the light of Project experience and reforms that may be expected from the enhanced BFA role and the results of overtures the BFA is making to the Government of El Salvador pursuant to the USAID/BFA Memorandum of Understanding.