

DATE: 15 AUG 1980
REPLY TO: AAG/W, George L. DeMarco
ATTN OF: *George L. DeMarco*

SUBJECT: Audit Report No. 80-95 Titled "A Latin American/Caribbean Agriculture Planning and Policy Analysis Network" (LACPLAN) Dated 8/15/80

TO: AA/DS, Mr. Sander Levin
AA/LAC, Mr. Edward W. Coy (Acting)
AA/PPC, Mr. Alexander Shakow
AA/SER, Mr. Donald G. MacDonald

The subject report (copy attached) is for your review and requires action by your respective offices. The recommendations are listed on Appendix A of the report.

A report of actions planned or taken by your office should be forwarded to me within 30 days. If you have any questions regarding the report, please contact Mr. Eugene G. Linck on 235-9645.

Attachment: a/s



Buy U.S. Savings Bonds Regularly on the Payroll Savings Plan

18P



Auditor General

LACPLAN

A LATIN AMERICAN/CARIBBEAN AGRICULTURE PLANNING AND POLICY ANALYSIS NETWORK

LACPLAN is supportive of efforts to improve the plight of the rural poor in Latin America. However, the project has not been implemented as planned. The use of cooperative agreements for the project was not appropriate to effectively utilize AID funds. Also, AID has not resolved changes by the contractor in the scope of work.

Audit Report Number 80-95

Issue Date 8/15/80

Area Auditor General, Washington
Agency for International Development
Washington, DC 20523

LACPLAN

TABLE OF CONTENTS

PAGE

EXECUTIVE SUMMARY	1
BACKGROUND	1
Purpose and Scope	2
FINDINGS, CONCLUSIONS AND RECOMMENDATIONS	4
USE OF COOPERATIVE AGREEMENT IS QUESTIONABLE	4
Conclusion	7
ACTIONS NEEDED TO RESOLVE CHANGES IN LACPLAN SCOPE	8
Training	8
Conclusion and Recommendation	10
Coordination and Management of LACPLAN Network	10
Conclusion and Recommendation	12
LACPLAN After AID Support	12
SHORTCOMINGS IN LACPLAN PROJECT MANAGEMENT	13
Conclusion and Recommendation	15
CONTINUING EMPHASIS ON THE COORDINATION OF LACPLAN AND BILATERAL PROGRAMS	16
Conclusion and Recommendation	18
FINANCIAL	19
IICA Contract Costs	19
Recommendation	20
Cooperative Agreements	20
Recommendation	21
Unneeded Funds for Iowa State University Should be Deobligated	21
Recommendation	22
LIST OF RECOMMENDATIONS - APPENDIX A	
LIST OF REPORT RECIPIENTS - APPENDIX B	

EXECUTIVE SUMMARY

INTRODUCTION

The Latin American and Caribbean Planning Network (LACPLAN) is an AID-supported project to improve agriculture sector planning and policy analysis. In 1977, AID contracted with the InterAmerican Institute of Agricultural Sciences (IICA) to develop a training program for LACPLAN and to extend training and technical assistance to appropriate target countries. The project also includes two AID-funded cooperative agreements with Iowa and Michigan State Universities for technical assistance to IICA. AID provided \$757,173 to fund LACPLAN for three years through June 30, 1980 (pages 1,2).

Purpose and Scope of Review

The review was requested by the Office of Contract Management because of concerns such as cost overruns claimed by IICA. Our objective was to review the extent of (1) cooperation by Iowa in providing technical assistance to IICA, (2) adherence to the work plans and scope of work for LACPLAN and (3) coordination, where appropriate between LACPLAN and USAID bilateral programs. We reviewed pertinent records and held discussions with AID, IICA, Iowa and host country officials in Washington, D.C., Ames, Iowa, and selected overseas locations (pages 2,3).

Use of Cooperative Agreements Questionable

A cooperative agreement is a formal arrangement that is intended to provide more control over project resources than a grant. Unlike a contract it is for the transfer of funds rather than the procurement of services. To implement LACPLAN, AID used cooperative agreements with Iowa and Michigan and a contract with IICA. Cooperative agreements were not appropriate for Iowa and Michigan because AID's intent was to procure technical assistance services for IICA. Also, these agreements did not provide IICA with the control needed for effective utilization of AID funds, although IICA was responsible for the successful completion of the project. For example, IICA employed consultants for project activities which in our view should have been provided by Iowa and Michigan. Also, IICA expanded its role and will spend about \$125,000 more for LACPLAN than budgeted. AID is currently developing written criteria to clarify the appropriate use of cooperative agreements in AID Handbook 13. Also, the LACPLAN cooperative agreements with Iowa and Michigan will expire at the end of September 1980 and will not be funded further (pages 4, 5, 6, 7).

Actions Needed to Resolve Changes in LACPLAN Scope

LACPLAN contractual requirements include:

- developing and conducting training,
- operating a network of IICA personnel in Latin American and Caribbean countries to encourage and coordinate agriculture sector planning and policy analysis, and
- adopting LACPLAN staff and activities permanently at IICA to insure continuation after AID-financing is completed.

The training program to be developed during LACPLAN is behind schedule and planned training courses have not been developed. For example, Iowa State University will not develop a graduate level course required by its agreement with AID for use in Latin American institutions. IICA has implemented technical assistance, but without the involvement and help planned from Iowa and Michigan. AID has not resolved the effects of changes in project requirements for training activities which have been arbitrarily made by IICA and Iowa and, in our view, should do so (pages 9, 10).

As regards LACPLAN network operations, virtually all target countries were involved in network activities during the early information gathering stages of the project. Since then, however, network activity has been sporadic, emphasizing sector assessments rather than sector assistance. AID has done very little to assess and influence the scope and extent of network activities. In fact, there is no clear concept of network activities in the contract with IICA. Since future LACPLAN agreements are contemplated with IICA, we believe AID needs to clarify the scope and objective of network operations (pages 11, 12).

Shortcomings In LACPLAN Project Management

AID did not take timely actions to correct project deficiencies identifiable from management information sources such as critical performance indicators, project evaluation, and annual progress reports. In our view high level emphasis in the Development Support Bureau is needed to insure that project managers systematically identify deficiencies in project implementation and achieve timely resolution of project deficiencies (pages 13, 16).

Continuing Emphasis on Coordination of LACPLAN and Bilateral Programs

The Latin American and Caribbean Bureau has made a number of initiatives to coordinate LACPLAN and related AID bilateral projects. However, at the mission level in seven Latin American countries we visited, AID officials were unaware of current LACPLANs activities or the potential for coordinating related projects with LACPLAN.

In two of the seven countries we visited, we found indications that such coordination would have facilitated development program efforts. In our view, there is a lack of understanding at the missions about how bilateral programs interface with, and can be supported by, LACPLAN (page 18).

Financial

We audited costs claimed by IICA through December 31, 1979 and found unallowable costs claimed totalling \$4,671. We did not audit costs claimed by Iowa State because the Department of Health and Human Services has this responsibility. However, we note that AID has obligated \$29,159 in excess of budget requirements for the cooperative agreement with Iowa and in our opinion, this amount should be deobligated (pages 19,22).

Summary of Management Comments

AID's Development Support, Latin American and Caribbean, and Program and Management Services Bureaus commented on this report. As regards project management, the Development Support Bureau said that project deficiencies are identified in the project evaluation summary and sent forward to higher levels of management within the bureau. They also did not agree with our recommendation to deobligate unexpended funds for Iowa State because they are contemplating further LACPLAN work for ISU to utilize the unexpended funds (see page 22).

The Latin American Bureau agreed that future use of separate agreements for projects such as LACPLAN involving both host country and U.S. institutions seems inappropriate because of the resulting lack of control over project operations. Also the Bureau said it is particularly concerned that tangible benefits to countries in the region will be lost because of changes in the scope of LACPLAN training activities such as deleting training courses.

Conclusions and Recommendations

LACPLAN has long-term potential as one element in support of AID's efforts to improve the plight of the rural poor in Latin America and the Caribbean. However, the project is complex and geographically diverse. More AID management oversight was needed to see that the project developed along the lines originally intended and that the contributions of the institutions involved were commensurate with the allocation of funds.

We believe AID must emphasize continuing efforts to improve project management to insure that project results are consistent with project design. Our recommendations, which are listed in Appendix A address both improvements in the LACPLAN project, and broader aspects of AID project design and management.

BACKGROUND

Countries in Latin America and assistance agencies are investing billions of dollars there for agricultural development. AID is aware of the potential benefits of national planning and policy analysis for successful agricultural development. In 1975, AID initiated a worldwide project, called the Expanded Program of Economic Analysis for Agricultural and Rural Sector Planning to emphasize and improve planning and policy analysis.

Under the auspices of the Expanded Program, AID contracted with the Interamerican Institute of Agricultural Sciences (IICA) in 1977 to create a Latin American and Caribbean Planning Network (LACPLAN). IICA is a specialized agency for agriculture of the Organization of American States with personnel permanently assigned and working in 23 nations.

The LACPLAN project also includes cooperative agreements with two institutions, Iowa State University (ISU) and Michigan State University (MSU). The contract and the agreements provided funds for three years of activity.

	<u>Contract/Agreement No.</u>	<u>Amount</u>	<u>Dates</u>
IICA	AID/ta-C-1432	\$288,390	8/31/77 to 6/30/80
ISU	AID/ta-BMA-3	368,612	7/1/77 to 6/30/80
MSU	AID/ta-BMA-4	100,171	7/1/77 to 6/30/80

IICA's role in the project is the coordination of activities and leadership of the project. ISU and MSU are responsible for providing technical advice and assistance for all activities of the project on a cooperative basis as needed by IICA.

The overall objectives of the project, as set out in the project agreements are:

- to improve and build institutional capabilities for agricultural and rural sector planning and policy analysis in Latin America and Caribbean countries, and
- to facilitate implementation of agricultural and rural sector planning and policy analysis process in the appropriate ministries and planning institutions of IICA target countries.

The LACPLAN project activities were designed to develop IICA's knowledge of agricultural planning and policy analysis and to build IICA's institutional capabilities for assisting and training national agricultural planning personnel throughout Latin America and the Caribbean using IICA's existing network of representatives.

To achieve these objectives, the contract and cooperative agreements contain a three year work plan with two phases.

The first phase, to be completed by June 30, 1979, consists of activities such as research, evaluation, and seminars pertaining to agricultural and rural sector policy and planning analysis. These activities are set up to build a knowledge basis for phase two of the work plan.

The second phase covers the third year of the contract beginning July 1, 1979, and ending June 30, 1980. During phase two, IICA is to implement a training program to meet the needs of Latin American countries to improve agricultural and rural sector planning and policy analysis capability and activity. Also, IICA is to conduct technical assistance activities in agricultural and rural sector planning and policy analysis.

The contract also recognizes a possible need for fourth and fifth year funding for LACPLAN subject to the availability of funds and satisfactory progress.

Purpose and Scope

In July 1979, AID evaluated the status of LACPLAN to obtain information for a decision on extending the project for a fourth and fifth year. In general terms, the evaluation team reported deficiencies in the project as follows:

- some aspects of the scope of work and the work plan activities were modified or omitted-
- some critical work activities had not been completed.
- IICA has taken a more active role thus far in the project than intended resulting in projected cost overruns; Iowa State's role has been less than intended.

After the evaluation was completed, the AID Office of Contract Management requested an interim audit of LACPLAN. The Contract Officer cited the evaluation team's findings and stated that the audit was needed in view of the overrun claimed by IICA and the heavy expenditures which have been incurred by ISU considering that ISU's efforts appeared to the team to fall far short of its obligations and responsibilities under the project agreement.

The purpose of our review was to review the extent of (1) cooperation by ISU in providing technical assistance to IICA, (2) adherence to the work plans and scope of work for LACPLAN, and (3) coordination, where appropriate between LACPLAN and USAID bilateral programs.

Our review also included consideration of the economy, efficiency and effectiveness of LACPLAN management by AID and IICA.

During our review, we visited IICA headquarters, San Jose, Costa Rica and Iowa State University, Ames, Iowa. We also visited IICA field offices, AID missions, and host country government officials in Costa Rica, Guatemala, Honduras, Jamaica, the Dominican Republic, Panama, Ecuador and Peru. We reviewed project costs claimed, reports, and other applicable documents and discussed LACPLAN activities with appropriate project officials at AID Washington and at the other locations we visited.

A cursory review was made of other AID funded activities with IICA. Information concerning this review were transmitted to appropriate officials in the Bureau for Latin America and the Caribbean (LAC).

FINDINGS, CONCLUSIONS AND RECOMMENDATIONS

USE OF COOPERATIVE AGREEMENTS QUESTIONABLE

Under cooperative agreement arrangements, ISU has not provided adequate technical assistance to LACPLAN although it was allotted the major portion of AID project funds. IICA expanded its role and relied to a greater extent on consultants for technical assistance. As a result, IICA will spend about \$125,000 more for LACPLAN than budgeted. MSU had a minor and subordinate role in the implementation of the LACPLAN project. We did not visit MSU and thus, we are unaware of its specific contributions to the LACPLAN Project.

In 1978, after LACPLAN was initiated, Public Law 95-224 provided criteria to select an appropriate legal instrument, i.e. a contract vs. a grant or cooperative agreement. Such criteria was needed because uncertainties about the relationship created by a contract, a grant, or a cooperative agreement was found to cause operational inconsistencies, confusion, inefficiency, and waste for recipients of awards as well as for executive agencies. The Office of Management Planning (SER/MP) informed us that AID does not presently have criteria for cooperative agreements, however, it is being developed for AID Handbook 13.

The law provides that the Agency shall use a cooperative agreement whenever the principal purpose is the transfer of money, property, services, or anything of value to the recipient rather than acquisition of property or services.

The main reason for ISU and MSU's involvement is to provide technical assistance services for IICA in implementing LACPLAN, rather than the transfer of assets. In our opinion this purpose is inconsistent with the intended use of cooperative agreements. Also, as discussed below, we found a number of weaknesses in the cooperative agreements which may have precluded IICA from obtaining the technical assistance services it needed.

AID's contract with IICA for LACPLAN is clearly for procurement of Technical Services. The contract gives IICA the final responsibility for providing LACPLAN services to Latin American countries. ISU and MSU's role is to assist IICA. The cooperative agreements with ISU states:

"The technical services to be provided by Iowa State University... are for the purpose of assisting IICA in the planning and implementation of an activity...."

Although the project agreements with IICA, ISU, and MSU indicate each institution's leadership or assistance role in the project, the cooperative agreements with ISU and MSU do not specifically identify what aspects of assistance are planned or needed. Presumably, the Universities could

provide technical assistance in areas where they have expertise, or more experience, or conversely where IICA's experience is lacking. However, the specific reasons for University cooperation were not elaborated in the cooperative agreements. To illustrate, the responsibilities contained in the agreements for typical specific activities are compared as follows:

Activity--

IICA -Development of questionnaires for a general survey and an in-depth survey of planning and related institutions in member countries.

ISU/MSU -Assist IICA in the development of questionnaires for a general survey and an in-depth survey of planning and related institutions in member countries.

Activity--

IICA -Administer general survey in member countries and in-depth survey in four to six selected countries.

ISU/MSU -Assist in the general survey in member countries and in the in-depth survey in four to six selected countries.

The factor that is lacking in the statement of responsibilities for these activities is clarification on why university assistance is needed, i.e. in what areas is IICA deficient and therefore in need of assistance from the universities.

Another problem with the cooperative agreement arrangements is that the project manager at IICA with the final responsibility for implementing LACPLAN does not have control over project resources allocated by AID to ISU and MSU. For example, as discussed on page 21 several expenditures by ISU are questionable as being project related. We found a number of instances whereby lack of central control over LACPLAN resources adversely impacted the project.

The project manager at IICA told us that (1) the cooperative agreements did not provide the flexibility needed to obtain services when needed and (2) the geographical distance involved hampered communications. The planning, development and execution of LACPLAN activities is dynamic and requires daily coordination and meetings to discuss changing views and ideas in the development of the project.

In one instance shortly after the new IICA project manager assumed his responsibilities, he contacted the cooperating institutions and explained the type of assistance IICA needed to prepare for the Latin

American Seminars. He felt agreement had been reached with the universities on their assistance, but when their input was needed, they were unable to provide the necessary assistance. He told us that he collaborated with IICA management to advise them that if the project was to be completed, he would need resources he could control. As a result, IICA began the practice of obtaining assistance from other contractors and consultants. For example, from January through August of 1979, IICA employed six different contractors or consultants as needed at a cost of \$23,487. These contractors provided assistance in activities which in our view should have been provided by ISU and MSU.

We discussed the project cooperative agreements with the LACPLAN project manager at Iowa State. He indicated that some of the difficulties resulted from a lack of interest and initiative from IICA to obtain ISU's assistance on project activities such as

- organizing, planning and programming network activities,
- development of the agriculture planning graduate course,
- provision of technical assistance to selected countries, and
- revision and improvement of training materials.

The ISU project manager said that the effectiveness of project management for LACPLAN could have been improved with more centralized control over project activities. This included more specific definition of project activities.

Iowa State did not have records of project costs by activities. However, we identified a number of activities where Iowa State officials told us they had not made any contribution to LACPLAN. The schedule below shows the funds budgeted for selected activities in which Iowa has not been active.

<u>Activity</u>	<u>Budget</u> ^{1/}
1. In-Depth Survey	\$35,550
2. In-Service Training Course	23,700
3. L.A. Training Course	39,500
4. Sector Analysis in Costa Rica	35,550
5. Tech Assistance for Backstop of IICA	35,550
6. Network Management and Coordinator	35,550

^{1/} The project planning paper contains a combined ISU/MSU budget. We estimated ISU's share by applying a factor of 79 percent the combined amount budgeted for each activity. Seventy-nine percent is ISU's portion of the total combined ISU/MSU budget.

We also made comparisons of the two institutions' budget changes within the same activity. Our comparisons illustrate not only changes in the scope of work but in some cases, the transfer of planned project work from ISU to IICA.

The primary example we noted concerns LACPLAN network coordination and management; the project budget allocated \$90,000 for this activity-- \$45,000 for IICA and \$45,000 for ISU and MSU. IICA estimates it will spend \$177,634 for network coordination and management during the three year contract period, an increase of almost 400 percent. Conversely, Iowa State has not become involved in LACPLAN network and coordination. Officials at ISU told us they had not participated in this activity because IICA had not asked for any assistance.

In another case, ISU had the primary responsibility for development of a Latin American graduate course in Agriculture Sector Planning and Policy Analysis. ISU/MSU's combined budget was \$50,000. IICA's budget for this activity was \$16,000. The project agreements specify responsibilities as follows:

- ISU - Develop and offer a graduate course in agricultural planning that could be adapted in Latin American graduate training institution.
- MSU - Participate in developing and teaching a university course in sector analysis and planning.
- IICA - IICA's budget contains funds for the course however, there is no specific mention of its responsibilities made in the contract.

Even though the agreement with ISU specifies that it has the primary responsibility to develop the course, ISU officials told us they did not do so because IICA had not expressed interest in developing the course.

Conclusion

AID's selection of cooperative agreement arrangements to obtain technical assistance services for LACPLAN was inconsistent with the intent of Public Law 95-224 and resulted in a lack of effective application and control over AID resources. Recognizing that LACPLAN was initiated prior to Public Law 95-224, we note that criteria are nevertheless needed for the use of cooperative agreements to ensure compliance with the law. However, we are not making any recommendation because (1) AID is currently developing written criteria on the use of cooperative agreements for AID Handbook 13 and (2) the LACPLAN cooperative agreements with ISU and MSU will expire at the end of September 1980 and will not be further funded.

In commenting on the audit, the LAC Bureau expressed its concerns about the future use of cooperative agreements for projects such as LACPLAN. The Bureau said: "With regards to the contracting mode, it would seem appropriate in similar cases not to have separate agreements involving both host country and U.S. institutions as was done in the LACPLAN case. The lack of coordination, management, and technical assistance responsiveness can undoubtedly be traced to the fact that no single institution has both the responsibility and the effective control over the project operations.... If one institution had been given ultimate authority for projected performance and allowed to subcontract for the specific services it needed, there would have been no need to call for a consolidated work plan and budget allocation almost two years after project inception."

ACTIONS NEEDED TO RESOLVE CHANGES IN LACPLAN SCOPE

Although project objectives are generally being met, some contract requirements are behind schedule or have been disregarded. Appropriate action by AID to identify or document any acceptable change from major contract requirements have not been made.

Our review coincided with Phase II which is the third year of the LACPLAN project. Phase II requirements were predicated on work completed in Phase I and include:

- Implementation of training courses, seminars and workshops,
- Provision of in-depth and short-term training,
- Coordination and management of the Latin American/Caribbean planning and policy analysis network, and
- Continuing "institutionalization" of LACPLAN in IICA.

We found that some planned training courses and activities have not been developed and implemented and that network activities are not providing adequate information to host country planners. We believe IICA has taken adequate measures to institutionalize LACPLAN.

Training

The training program to be developed during the LACPLAN project is behind schedule and has been modified from the program originally set out in the project agreement. This program consisted of (1) a graduate course to be developed by Iowa State which could be adopted in Latin America graduate training institutions, (2) training manuals for use in training courses at the field level and to be distributed for technicians in target countries and (3) a series of workshops seminars and training courses for designing methods to improve agricultural planning capacities

for implementing planning analysis procedures and for training of planning technicians.

We discussed the status of the graduate course with the project manager for LACPLAN at Iowa State University. We were informed that nothing has been done to develop the course. Furthermore, it was not expected that Iowa would develop the required course, because IICA has not supported the development of the course.

In accordance with the contract, IICA was to complete a training manual at the beginning of Phase II. At the time of our review in March 1980, IICA had identified four topics for training manuals and was working on two of the manuals. The project manager at IICA told us that he plans to have the four sections of the manual drafted by the end of the contract period which is about one year late, but does not expect the manuals to be completed. IICA, ISU and MSU have divided up the responsibilities for the manual as follows:

<u>Topic of Manual</u>	<u>Responsible Organization</u>
Operational Planning	IICA
Project Planning	IICA, MSU
Analysis Planning Systems	IICA
Policy Analysis	IICA, ISU, MSU

A third requirement for the LACPLAN training program is workshops, training courses, and seminars for designing methods to improve agricultural training capacities for implementing planning and analysis procedures and for training of planning technicians. IICA has made the most progress in this area except for training of planning technicians. At the time of our review, technical assistance activities, consisting of a workshop and studies had been held in three countries and IICA was considering such activities in four other countries. Completed technical assistance has included:

- analysis of the efficiency of agriculture planning,
- identification of ways to improve efficiency,
- a workshop on the empirical and conceptual basis for planning, and
- design of an agriculture sector planning project.

To summarize the status of requirements of training under LACPLAN, we found that the graduate course has been dropped, training manuals are about one year late and workshops and seminars have been implemented as planned. Technical assistance activities have focused on teaching the conceptual and empirical basis for planning as well as analyses of planning processes being used and recommendations for improvements.

However, a formal training program has not been developed to teach planners the actual skills and techniques of planning and policy analysis.

In commenting on this report, the LAC Bureau said that development of training activities under LACPLAN should be supported and encouraged. The Bureau said: "We are particularly concerned with the LACPLAN training activities. The LAC Bureau's position has been to foster and promote this particular project component for several reasons. First, we perceive training as a tangible benefit for the countries in our region and crucial to the establishment of IICA as a viable, productive organization in their eyes. Second, we have consistently emphasized the position that the training operation was a necessary condition to the achievement of networking activities. The LACPLAN network would be a natural outgrowth of IICA's hoped for success in its training program...."

The DS Bureau did not comment on this issue.

Conclusion and Recommendation

Training practices being developed under LACPLAN have omitted project requirements to develop formal training programs during the contract period. This change may or may not be acceptable to AID managers of the project in DS, but in either case, appropriate action has not been taken.

Recommendation No. 1

AA/DS review the status of formal training activities under LACPLAN, and either delete the contractual requirements from project agreements or require the contractor/cooperating institutions to develop the formal training programs required by LACPLAN agreements.

Coordination and Management of LACPLAN Network

LACPLAN's impact in Latin America can be increased by expanding network activity in more countries and with improved network coordination and management by IICA. However, AID has not adequately defined the nature of network coordination and management or intended results and should do so.

The purpose of the LACPLAN network is to extend IICA's technical assistance and training activities to Latin American and Caribbean countries. Thus, LACPLAN network activity is directly linked to the overall implementation objective (see p. 2). Virtually all potential target countries participated in network activities during the early,

information gathering stage of the project. Since then, however, network activity has been sporadic and, where active, has emphasized assessments rather than assistance.

The early information gathering period of network activity was completed with regional seminars in May 1979. Research, or information gathering was conducted in 23 countries and had wide participation including IICA network personnel and host country officials. The three regional seminars involved a total of 70 government officials from the 23 countries.

<u>Seminar</u>	<u>No. of Countries</u>	<u>No. of Government Officials</u>	<u>No. of IICA Personnel</u>	<u>Other People</u>	<u>Total Participants</u>
North Zone	9	26	11	13	50
Andean/South Zone	9	23	12	7	42
Antillean Zone	5	21	12	12	45
Totals	23	70	35	32	137

We visited IICA offices in seven Latin American and Caribbean countries to determine the status of network activities under LACPLAN since the seminars. We also discussed LACPLAN with host country planning officials in five of the seven countries we visited to determine their awareness of LACPLAN training objectives. Based on the information we obtained, it is clear that network activities have significantly decreased since the regional seminars and the network is not adequately disseminating information about its training objectives.

<u>Topic of Discussion</u>	<u>Percentage of Positive Responses</u>	
	<u>Country Officials</u>	<u>IICA Network Officials</u>
General Awareness of LACPLAN	100	100
Participation in Prior Activities	100	100
Interest in LACPLAN Assistance	100	71
Satisfied with LACPLAN Assistance	40	57
Aware of LACPLAN Training Objectives	0	28

As discussed on page 10, IICA plans to apply \$177,634 of project funds toward network coordination and management. We reviewed the project planning papers and the contract with IICA to determine the extent of network coordination and management, as well as the scope of network

activity which was originally planned. We did not find a clear concept of LACPLAN network operations in the contract. However, the project activity paper states:

Network coordination and management involves management of all of the specific (project) activities..., as well as general communication and interchange of information and talent between IICA, Cooperator(s) and the various member countries. An important role of IICA and the Cooperator(s) will be to facilitate the exchange of materials and staff between the various countries as individual country interest and possibilities permit.

IICA will have primary management and coordination responsibilities for the network activity and will designate an Activity Manager. The Cooperator(s) will nominate a backstopping manager with nominee approval from Technical Assistance Bureau (TAB).^{*} Normally, the Cooperator providing a major amount of the technical assistance inputs will also provide the Cooperator(s) backstopping manager.

We recognize that due to delays in developing training material, IICA did not have information on current training which could be offered to host countries at the time of our review. However, in some cases no network information has reached host country officials since the completion of the regional seminars.

Conclusion and Recommendation

We believe a systematic approach should be developed to provide LACPLAN information, to facilitate interchange of ideas, and to ensure host country awareness of LACPLAN training resources once they have been developed.

Recommendation No. 2

AA/DS clearly define the purpose, scope and objective of LACPLAN network coordination and management in any future LACPLAN agreements between AID and IICA.

LACPLAN after AID support

Another stated objective of the project is to build the capability to continue LACPLAN after AID funding is discontinued. We believe IICA has met this objective, by taking steps to "institutionalize" LACPLAN including

- internal reorganization to adopt LACPLAN in IICA, and
- outside funding.

^{*} TAB is now Development Support Bureau (DS).

As of January 1, 1980, IICA adopted the LACPLAN coordinator position permanently into a new position in its Planning and Management Division. This position is funded from IICA's regular operating budget. IICA is also planning to increase Division staffing by three positions to be financed from funding from a private foundation. Planned five year funding, including the grant which has been executed, for the Planning and Management Division (which includes LACPLAN) is as follows:

<u>PLANNED</u> <u>Source of Funds</u>	<u>Amount (Millions)</u>
Private Foundation Grant	\$1.5
IICA	1.7
Other Donors	.5
	<u>\$3.7</u>

SHORTCOMINGS IN LACPLAN PROJECT MANAGEMENT

LACPLAN like all AID projects was designed to provide a number of standard management tools to enable AID monitoring of the project including

- critical performance indicators,
- evaluation, and
- annual progress reports.

These systems provided evidence of LACPLAN project deficiencies, however, AID management did not use the information for corrective actions.

The critical path network for LACPLAN includes sixteen indicators. Comparison of planned completion of selected activities with actual completion dates clearly shows the delays being encountered by the project from the beginning.

<u>INDICATOR</u>	<u>PLANNED DATE</u>	<u>COMPLETION DATE</u>	<u>VARIANCE (months)</u>
Project Agreement signed by AID and IICA	5/15/77	8/30/77	3.5
Administration of General surveys completed	11/30/77 ^{1/}	5/78	6.0
Latin American Seminar begun by IICA	6/30/78 ^{1/}	3/26/79	9.0
Distribution of training course material completed by IICA	1/15/79 ^{1/}	9/30/80 ^{2/}	20.5 ^{2/}

By definition of a critical path network, completion of these activities are necessary before moving ahead to the next activity. Systematic monitoring of the critical indicators by AID would show not only that the planned implementation of the project was falling behind, but also would raise serious questions about the need to reevaluate the scope of the contract.

The contract with IICA has been amended twice but did not address any of these problems. Neither amendment, effective September 28, 1978, and November 27, 1978, changes either the scope of work or the estimated completion date of the contract.

Project evaluation is another available tool for AID oversight of its projects. A condition in the LACPLAN contract with IICA states:

Although this activity has an initial three year implementation period, if a comprehensive evaluation shows that satisfactory progress has been achieved, a follow-on plan of work will be developed for an additional two years for a total of five years....

The called for evaluation was made in July 1979. The question of fourth and fifth year funding for LACPLAN was deferred in the evaluation team's report. The report does, however, identify problems being encountered in implementing LACPLAN and contains recommendations to resolve these problems.

1/ Date adjusted by audit to reflect delay in signing agreement.

2/ As of the date of our field visit to IICA, training course material had not been completed.

Problems identified include coordination among collaborators, cost overruns, and completion of project requirements. The evaluation team recommended contract revisions to clarify responsibilities, identify the most important requirements and extend the timeframe.

In February 1980 we discussed the status of the evaluation team's recommendations with the project manager. He told us that he had recommended amendments to extend the contract completion date as recommended and to increase third year funding for IICA, shortly after receiving the report. However the amendments were still being processed by AID in July of 1980.

We believe AID project oversight should be a continuous process of correcting project deficiencies as soon as they are identified.

LACPLAN agreements with IICA, ISU and MSU require the contractor and cooperators to submit annual progress reports. These reports are to include an explanation of how the annual networking activities have contributed to the improvement of planning and policy analysis procedures among Latin American and Caribbean countries. IICA and MSU have submitted annual progress reports as required. ISU submitted a first annual report, but not a second as required.

The annual reports, especially from IICA, provide information about the status of LACPLAN including information about problems being encountered which provides valuable information for AID oversight of the project. For example, IICA's first annual report, submitted in September 1978 reported on problems of coordination with cooperating institutions as well as potential cost overruns.

This report alerted AID to the need for management attention and formulation of alternatives to compensate for developing problems in coordination between IICA and the Universities and the potential need for increased spending by IICA.

Looking at the management information provided by the three systems discussed above, i.e., performance indicators, evaluations, and annual progress reports, we find corroborating information of LACPLAN's major problems was reaching AID management. However we found no evidence that these problems were systematically identified and resolved in DS.

Conclusion and Recommendation

DS procedures for monitoring the status of projects are not adequate to insure that project implementation problems are resolved in a timely manner.

Recommendation No. 3

AA/DS require project managers to systematically identify and resolve or report major delays or changes in project implementation to higher levels to facilitate timely management decisions on the need for remedial actions and project agreement amendments.

In commenting on our findings and recommendation, the DS Bureau pointed out that the LACPLAN project manager initiated a Project Evaluation Summary (PES) dated October 9, 1979 which first identified problems in project implementation. It was noted that the PES was signed by the project manager, the division chief, the office director and the Deputy Assistant Administrator (DS/DAA/FN), and that while the PES face sheet did not highlight the problems, nevertheless, it was the PES which prompted SER/CM to request the audit.

We recognize that the LACPLAN project manager reported some of the problems identified in the LACPLAN evaluation to high levels of DS management. However, no action was taken on indications of project delays and cost overruns or changes in the scope of the project obtained from other management information sources prior to the evaluation. Furthermore, needed corrective actions which were identified in the evaluation in July 1979 and included on the PES had not been completed as of July 1980 12 months later.

Continuing Emphasis on the Coordination of LACPLAN and Bilateral Programs

Missions have not emphasized coordination of their activities in agriculture sector planning and policy analysis with LACPLAN network officials, despite encouragement for AID to do so. A major reason appears to be that AID has not explained the purpose of coordination and the benefits that could be derived from such coordination by the Missions.

Both LACPLAN and bilateral programs are consistent with, and supportive of, AID's sector analysis strategy adopted in the 1960's and its concentration on selected development problems such as food and nutrition. Adequate agriculture sector planning and policy analysis capabilities are seen as the keys to successful agriculture sector development.

Both LACPLAN and the U.S. bilateral programs in many of the same Latin American countries are involved with improving planning and analysis. LACPLAN activities include:

- assessments of planning capabilities,
- identification of needed areas of improvement, and
- development of training to affect improvements.

AID bilateral programs in the agriculture sector are supporting development of better planning and policy analysis by funding such program elements as:

- analysis and evaluation of data, and
- analysis of alternative policies.

AID has recognized the potential for enhancing the effectiveness of bilateral programs through LACPLAN. In fact, the project (as part of AID's expanded program) was designed to complement, support, and extend existing activities in the LAC Bureau.

In February 1978, the DS Bureau advised 21 Latin American and Caribbean AID Missions about the existence and purpose of LACPLAN to improve country planning and policy analysis capabilities. DS also said that USAID's are "encouraged to establish their own priorities for institutionalizing agricultural/rural sector planning capabilities and identify training and technical cooperation and assistance that the LACPLAN network could provide to support country level programs.

In commenting on this report, the LAC Bureau stated that its coordination efforts have gone beyond the original scope of the project. LAC's comments noted that coordination of bilateral projects with LACPLAN was not a purpose of this project. This project was conceived to bolster IICA's capacity to improve and expand its member countries' capabilities in agricultural and rural sector planning and policy analysis. Nonetheless, the LAC staff members involved in liaison with DS and the cooperating institutions took the initiative to go beyond the scope of the project in order to foster closer relationships between AID bilateral programs and IICA.

LAC Bureau cited several instances of its LACPLAN coordination efforts. For example, the bureau said that meetings have been held between LAC and IICA representatives to explore "avenues for sustained and increased cooperation" in which LACPLAN and the IICA Projects Division would coordinate on AID projects to see where IICA initiatives and AID projects might coincide for project design for an AID-SEA (Ministry of Agriculture) sector analysis project in the Dominican Republic and a project proposal to establish an agricultural planning unit in the Eastern Caribbean Region. A set of agricultural sector assessments for El Salvador, the Dominican Republic, Costa Rica, Bolivia, Paraguay, Panama, Jamaica, Honduras, Haiti and Chile were sent to IICA by the LAC Rural Development Office which proved to be "of great value to IICA's Planning Office and other units of this institution". Seven USAID personnel attended the Regional Seminars, paid for by mission funds to "review results....and discuss activities for programming of second phase of project".

We discussed the subject of LACPLAN coordination with agriculture representatives at AID missions in seven Latin American and Caribbean countries. Generally, they were unaware or only vaguely aware of LACPLAN activities. Furthermore, AID agriculture program representatives did not have any perception about how LACPLAN could support bilateral programs and had not attempted to coordinate with LACPLAN people.

In two of the countries we visited, we found indications that coordination between AID and LACPLAN could potentially have facilitated development program efforts.

In one country, for example, government officials thought benefits could accrue for its agriculture sector planning efforts with assistance from LACPLAN. However, these officials were reluctant to seek LACPLAN assistance. They told us they had been previously informed by AID officials that LACPLAN assistance would be funded by AID; but the funds had not been advanced. It seems likely that if the mission and IICA had been working more closely together, the funding question could have been surfaced and resolved.

In another country, planning officials in reviewing the proposed AID agriculture sector loan activities were not satisfied with the program for planning and policy analysis. These officials obtained assistance from LACPLAN to redesign the program to their satisfaction and sent it back to AID for reapproval. In this case better coordination between the AID Mission and LACPLAN might have negated the need to redesign a portion of the project.

We recognize that both the LAC and DS Bureaus have acted to support the coordination of LACPLAN and related bilateral programs. One factor which may have affected coordination of LACPLAN and bilateral programs is that the previously discussed LACPLAN training courses have not been developed. There is also an indication that emphasis may be needed on clarifying the interface of bilateral programs with LACPLAN. For example, LAC Bureau comments on our report stated that as far back as the project development stage, we expressed concern that the proposal did not include LAC Bureau programming priorities, did not explore possible linkages between network in-depth surveys and related collaborative activities and agricultural sector assessments/analyses scheduled by the LAC Bureau.

Conclusion and Recommendation

We believe a major problem with closer coordination between the missions and LACPLAN is a lack of understanding at the AID missions about how their bilateral programs can interface with and be supported by LACPLAN.

Recommendation No. 4

The Assistant Administrator PPC assess in collaboration with the LAC and DS Bureaus the benefits to be obtained from closer coordination of mission and LACPLAN activities which are complimentary. PPC should coordinate the development of specific information to the missions about the intended interface of bilateral programs and LACPLAN.

FINANCIAL

IICA Contract Costs

Contract costs of \$225,132 reimbursed from contract inception through December 31, 1979, have been audited. Following is the financial status of the contract at December 31, 1979, and contract costs claimed that are questioned.

<u>Line Item</u>	<u>Contract Budget</u>	<u>Contractor's Reimbursements</u>	<u>Adjust.</u>	<u>Accepted Costs</u>	<u>Balance</u>
Salaries	\$163,204	\$118,757	\$ 5,328 ^{a/} (4,246) ^{b/}	\$119,839	\$43,365
Travel, Trans., Per Diem	69,779	32,148	23,194 ^{a/}	55,342	14,437
Other Direct Costs	29,190	53,760	(28,522) ^{a/}	25,238	3,952
Sub-Totals	262,173	204,665	(4,246)	200,419	61,754
Overhead (10%)	26,217	20,467	(425) ^{b/}	20,042	6,175
Totals	<u>\$288,390</u>	<u>\$225,132</u>	<u>\$(4,671)</u>	<u>\$220,461</u>	<u>\$67,929</u>

a/ Salaries and travel, transportation and per diem expenses excluded in other direct costs on reimbursement vouchers are reclassified into correct line item categories.

b/ A reserve was set up for estimated location expenses for the replacement LACPLAN Project Coordinator who assumed this position June 1978.

b/ Reserve set up in December 1978 and claimed as an expense on the December 1978 Reimbursement Voucher	\$14,568
Actual location expenses charged against the reserve balance December 31, 1979	<u>10,322</u>
Balance in reserve account	4,246
Overhead charge on reserve account balance	<u>425</u>
Total unallowable cost	<u><u>4,671</u></u>

The reserve balance represents an overcharge of contract costs and a refund should be made by IICA for this amount. In addition, a refund of \$425, the related 10% overhead charge, should also be made.

Recommendation No. 5

Office of Contract Management (SER/CM) instruct IICA to make an adjustment to correctly classify contract costs by line item and ensure settlement of costs designated for disallowance.

Cooperative Agreements

The financial status of the two cooperative agreements under the LACPLAN project at December 31, 1979 was as follows:

	<u>Agreement Amount</u>	<u>Expenditures</u>	<u>Balance</u>
ISU AID/ta-BMA-3	\$368,612	\$239,453	\$129,159
MSU AID/ta-BMA-4	\$100,171	\$ 52,333	\$ 47,838

The Department of Health and Human Services (HHS) has the responsibility for financial audits of federal grants and contracts with ISU and MSU. Requests for audits of these two agreements have been made by AAG/W. Therefore, no financial audit was made in our review. However, we did note during our review of ISU LACPLAN program activities several cost expenditures claimed under the ISU agreement which we question as being allowable or related to LACPLAN activities.

- (a) The following honorariums were paid for guest speakers at various ISU seminars and lectures held in the Department of Economics and claimed as LACPLAN activity costs:

<u>DATE</u>	<u>NAME</u>	<u>AMOUNT</u>
11/6-8/77	Piet Spijkers	\$275.00
10/19/78	Erik Thorbecke	200.00
11/9/78	John Cohen	425.00
5/15-16/79	Dr. James F. Torres	<u>150.00</u>
		<u>\$1,050.00</u>

There does not appear to be any relationship of these services to LACPLAN activities.

- (b) Two months salary of an ISU staff member was claimed as an expense under the agreement for preparing a bibliography "Export Instability in LDCs: An Annotated Bibliography".

Salary (June and July 1978) of Ken McCormick \$1,200. No copies of this publication were submitted to AID or IICA nor does there appear to be any relationship of the contents of this publication with LACPLAN activities.

Procedural deficiencies were also noted concerning the need to document the use of American flag carriers and control over in-kind salary contributions in connection with the LACPLAN project. Information on these deficiencies were given to SER/CM (and a copy to the appropriate HHS audit office). SER/CM also sent a letter to ISU on the subject matter.

Recommendation No. 6

Office of Contract Management (SER/CM) review the issues presented above and make a determination regarding the allowability of these costs under the ISU agreement.

Unneeded Funds for Iowa State University Should be Deobligated

IICA's annual report on LACPLAN as of December 31, 1979 contains a budget for the activities of each of the institutions--IICA, ISU, and MSU through the end of the project. Our review of the budget for Iowa State over the three years of the project showed that the cost of its participation will be less than estimated in the original agreement, as shown in the following table.

Amount Obligated for Cooperative Agreement with Iowa		\$368,612
(Less) Costs Claimed to December 31, 1979	\$239,453	
(Less) Costs budgeted for Activities from January 1, 1980 to September 30, 1980	100,000	<u>339,453</u>
Unbudgeted		<u>\$ 29,159</u>

The AID project manager informed us that the IICA contract is planned to be extended for the 4th and 5th year of the LACPLAN project. However, the cooperative agreements are not to be further funded. Therefore, in our view unbudgeted funds should be deobligated. Accordingly our draft report contained a recommendation that the Office of Contract Management amend the cooperative agreement with Iowa State University to reduce the cost by \$29,159 to \$339,453.

The DS Bureau took exception to this recommendation and the Office of Contract Management agreed with them. The DS Bureau stated that it has developed a work plan which schedules inputs from both Iowa State and Michigan State Universities. DS suggested that deobligation of these funds would be appropriate if a firm work plan and budget are not developed by ISU by September. However, considering the questions which have been raised about ISU's performance on LACPLAN, we believe the recommendation should still be given full consideration.

Recommendation No. 7

AA/SER determine if adequate justification exists to extend cooperative agreement AID/ta-CA-1 with Iowa State University to utilize unbudgeted funds. If justification is not adequate, AA/SER require that the agreement be amended to reduce the cost by \$29,159 to \$339,453.

LIST OF RECOMMENDATIONS

Recommendation No. 1

AA/DS review the status of formal training activities under LACPLAN, and either delete the contractual requirements from project agreements or require the contractor/cooperating institutions to develop the formal training programs required by LACPLAN agreements.

Recommendation No. 2

AA/DS clearly define the purpose, scope and objective of LACPLAN network coordination and management in any future LACPLAN agreements between AID and IICA.

Recommendation No. 3

AA/DS require project managers to systematically identify and resolve or report major delays or changes in project implementation to higher levels to facilitate timely management decisions on the need for remedial actions and project agreement amendments.

Recommendation No. 4

The Assistant Administrator PPC assess in collaboration with the LAC and DS Bureaus the benefits to be obtained from closer coordination of mission and LACPLAN activities which are complimentary. PPC should coordinate the development of specific information to the missions about the intended interface of bilateral programs and LACPLAN.

Recommendation No. 5

Office of Contract Management (SER/CM) instruct IICA to make an adjustment to correctly classify contract costs by line item and ensure settlements of costs designated for disallowance.

Recommendation No. 6

Office of Contract Management (SER/CM) review the issues presented above and make a determination regarding the allowability of these costs under the ISU agreement.

Recommendation No. 7

AA/SER determine if adequate justification exists to extend cooperative agreement AID/ta-CA-1 with Iowa State University to utilize unbudgeted funds. If justification is not adequate, AA/SER require that the agreement be amended to reduce the cost by \$29,159 to \$339,453.

LIST OF REPORT RECIPIENTS

	<u>Copies</u>
IDCA, Office of Legislative and Public Affairs	1
Deputy Administrator	1
Assistant Administrator, Bureau for Development Support (DS)	5
Assistant Administrator, Bureau for Latin American and Caribbean (AA/LAC)	5
Audit Liaison Officer, Bureau for Development Support (DS)	1
Audit Liaison Officer, Bureau for Latin American and Caribbean (LAC)	1
Bureau for Program and Management Services, Office of Contract Management (SER/CM)	1
Assistant Administrator, Bureau for Program and Policy Coordination (AA/PPC)	5
Audit Liason Officer, Bureau for Program and Policy Coordination (PPC)	1
Office of Legislative Affairs (LEG)	1
Office of Financial Management (FM)	1
Office of the General Counsel (GG)	1
Office of Development Information and Utilization (DS/DIU)	4
Office of the Auditor General (AG)	1
Office of Policy, Plans and Programs (AG/PPP)	1
Communications and Records Office (AG/EMS/C&R)	12
Area Auditor General/Washington (AAG/W)	1
Office of Inspections and Investigations (AG/IIS)	1
AAG/EA	1
AAG/NE	1
AAG/LA	1
AAG/AFR	1
AAG/EGYPT	1

② 931-0236
9310236 ~~5201~~

**Administrative
Report No. 3**

**ADMINISTRATIVE REPORT
FOR THE
SMALL FARM CREDIT PROFITABILITY
AND REPAYMENT PROJECT**

October 1, 1979 - September 30, 1980

Department of Economics
Colorado State University
Fort Collins, CO 80523

October 1980

ANNUAL ADMINISTRATIVE REPORT NO. 3
for the
SMALL FARM CREDIT PROFITABILITY AND REPAYMENT PROJECT
October 1, 1979 - September 30, 1980

Cooperative Agreement No. AID/ta-CA-3 under
Basic Memorandum of Agreement No. AID/ta-BMA-6

Submitted by

Ronald L. Tinnermeier
Project Coordinator
and CSU Project Leader

Thomas Dickey
Resident Professional
Santo Domingo

Kenneth C. Nobe
Project Manager

Department of Economics
Colorado State University
Fort Collins, CO 80523

ANNUAL ADMINISTRATIVE REPORT NO. 3
for the
SMALL FARM CREDIT PROFITABILITY AND REPAYMENT PROJECT
October 1, 1979 - September 30, 1980

TABLE OF CONTENTS

Section	Page
INTRODUCTION	1
BACKGROUND	1
BUDGET ALLOCATIONS AND EXPENDITURES.	2
PROFESSIONAL AND STAFF PERSONNEL	2
TABLE 1.	3
ACCOMPLISHMENTS.	4
Project Management.	4
Review of Literature and Development of Knowledge Base.	4
Table 2	5
Project Activities in the Dominican Republic.	7
Work Plan.	7
Progress on Planned Activities	7
Summary	12
APPENDIX A	13
APPENDIX B	19
APPENDIX C	22
APPENDIX D	23
APPENDIX E	30

Annual Administrative Report No. 3 for the
Small Farm Credit Profitability and Repayment Project
October 1, 1979 - September 30, 1980

Introduction

This is the third administrative report submitted under Cooperative Agreement No. AID/ta-CA-3 which is covered by the Basic Memorandum of Agreement No. AID/ta-BMA-6 between the Agency for International Development (AID) and Colorado State University. Its purpose is to summarize expenditures and personnel employment by Colorado State University and to report progress toward project objectives during the period October 1, 1979 through September 30, 1980. The Small Farm Credit Profitability and Repayment Project (hereafter referred to as the Credit Project) is a joint effort of Colorado State University and Oklahoma State University (funded under a separate Cooperative Agreement). This administrative report should be considered in conjunction with the companion OSU report submitted separately. Details on the Memorandum of Understanding between the two universities defining general operating and management procedures can be found in Administrative Report No. 1, on file in AID and the two universities.

Background

The Credit Project is designed to develop methodologies which credit institutions in developing countries can use to carry out analyses to improve small farm credit policies, programs, and loan repayment. The project includes three major activities: (1) farm level data collection and analysis, (2) application and utilization of such methodologies in credit institutions in two selected developing countries, and (3) dissemination of results to other credit institutions and developing countries. The project has been implemented jointly by Colorado State University (CSU) and Oklahoma State University (OSU) but the overall project coordination rests with CSU. A secondary objective of the CSU part of the Credit Project was to establish a long-term institutional relationship between the selected developing country credit institutions and CSU, particularly with the Department of Economics. The Project operated in Honduras for two years and was completed in July 1980. Activities are continuing in the Dominican Republic (DR) and will build on the experiences in Honduras. This report summarizes the DR part of the Project while the OSU report reviews the activities in Honduras. A chronology of Project events and difficulties is summarized in Appendix A.

Budget Allocations and Expenditures

The expenditures for the initial three years of the Project and the budget for the fourth, and final year, are shown in Table 1. The Project began on September 26, 1977 and is scheduled for completion on September 30, 1981. Detailed expenditure information for years I and II was presented in earlier reports and will not be repeated here.

For year III, the subject of this administrative report, the total reported expenditures were about \$10,000 less than that budgeted. However, more than \$2,000 of this difference was actually expended during September by Dickey, Nobe and Tinnermeier to attend the Project Management Committee meeting in Stillwater. These costs had not yet been submitted to the university by the end of the reporting period. Further, two months of secretary were budgeted but not expended during the year.

On-campus salary expenditures for year III were lower than budgeted but the difference was made up in the off-campus salary expenditures. The higher overseas expenditures were due to Longwell remaining in the DR longer than originally estimated and to a slightly higher salary for the long-term professional than budgeted.

Travel costs again were higher than that budgeted due to the continually increasing airfare rates and transportation costs. The lower expenditures on allowances relative to that budgeted came about because the accounting reports have included some of the allowances either in the salary category or in the "other direct cost" classification. Also, it was expected that temporary quarters allowances for the resident professional and his family would be higher than what actually occurred.

A revised budget for year IV is shown in the last column of Table 1. Salaries are projected to be at about the same level as year III but with some shift to campus for closing out the Project. It is assumed that the resident professional in the DR will be employed for ten months. If employment is to the end of the Project, that figure would be higher. The travel line item includes moving Dr. Dickey, his family, and possessions back to the States as well as normal Project travel projected for the final year. The "other direct cost" category includes workman's compensation, clerical help, DR Project expenses, computer expenses, and other operating expenses on-campus and in the DR. Line item adjustments likely will be made as the activities are further implemented in the DR as allowed by the Cooperative Agreement. In our opinion, the projected year IV budget will allow us to accomplish the Project objectives specified in the Cooperative Agreement as amended.

Professional and Staff Personnel

A breakdown of professional and other staff participating in the Credit Project during the first three years is shown in Table 2. With minor exceptions, the specialties of the personnel provided fit closely

Table 1. CSU CREDIT PROJECT EXPENDITURES AND BUDGET
September 26, 1977 - September 30, 1981

	Year I ^a	II	III		IV
	Expenditures	Expend.	Expend.	Budget	Budget ^b
<u>Salaries</u>					
Campus	\$26,443	\$33,734	\$ 20,946	\$ 26,480	\$ 26,650
Off-campus	- -	5,062	39,558	35,547	35,190
	<u>26,443</u>	<u>38,796</u>	<u>60,504</u>	<u>62,027</u>	<u>61,840</u>
<u>Fringe Benefits</u>	2,115	3,570	6,013	5,833	8,215
<u>Travel & Trans.</u>	8,984	11,684	7,731	4,144	15,000
<u>Allowances</u>	-0-	5,015	7,200	15,455	8,200
<u>Equip. & Supplies</u>	1,124	10,343	2,383	1,500	1,500
<u>Other Direct Costs</u>	961	1,830	6,153	9,367	13,091
<u>Indirect Costs</u>	18,563	23,813	23,017	25,213	26,441
	<u>\$58,190</u>	<u>\$95,051</u>	<u>\$113,001</u>	<u>\$123,539</u>	<u>\$134,087</u>

^aYear I includes period 9/26/77 - 9/30/78. All other years are October 1 to September 30 of following year.

^bCalculated on basis of remaining balance of AID contribution of \$400,329 for the life of the Project. Total Project budget includes an additional estimated \$16,400 indirect cost contribution of CSU.

or exceeded those specialties requested in the Cooperative Agreement and amendments. The person-months allocated to administration is quite close to that budgeted for the first three years. A total of 16.97 person-months of professional on-campus support was provided the Project, about four months less than planned (21). This senior staff time was off-set with more support staff (Longwell) in the DR to help implement Project activities. Overall, a total 68.06 person-months were allocated to the Project as compared with 64.5 months planned. However, this increased input was accomplished without any increase in salary expenditures since some salary of senior staff was shifted to the graduate research assistant, as explained earlier.

Accomplishments

The Cooperative Agreement specified three Project implementation stages. The first stage of Project initiation and literature review was reported in the previous administrative reports and will not be repeated here. Copies of those two reports can be obtained from AID or the cooperating universities. The second stage of implementing and testing data collection and analysis methodologies in two developing countries has been completed in Honduras and is in process in the Dominican Republic. The final stage of disseminating results is just being completed for Honduras. Dissemination of the experiences and Project results in the Dominican Republic will take place near the end of the Project which is scheduled for September 30, 1981.

1. Project Management

The mechanism used by CSU and OSU to coordinate on-campus activities and in the two developing countries was explained in Administrative Report Number 1, October 1978. Persons interested in details about programming linkages and responsibilities should refer to that report.

A fourth Project Management Committee meeting was held at Stillwater, Oklahoma on September 10-12, 1980. This committee is composed of representatives from both universities and is responsible for providing overall policy and coordination guidance to the Project and meets at least once a year for review and planning. This year's meeting included: (1) review of Project activities completed in Honduras, (2) presentation and summary of OSU Project reports (see OSU Annual Report for listing of reports), (3) review of activities in the Dominican Republic, (4) discussion of administrative and budgetary requirements, (5) presentation of activities planned for the next year in the DR, and (6) discussion of possible future collaboration. A copy of the meeting agenda and list of participants is shown in Appendix B.

2. Review of Literature and Development of Knowledge Base

A revised annotated Small Farm Credit Data Collection and Analysis Bibliography was distributed during the year. This 56 page document was released as Credit Occasional Paper No. 1 in November 1979.

Table 2. PROFESSIONAL AND STAFF PERSON-MONTHS ALLOCATED TO CREDIT PROJECT

Activity Areas & Staff	Person Months			Budgeted ^a First Three Years
	Year I	II	III	
<u>Project Administration</u>				
Nobe, K. C. (Manager)		1.5	1.28	4.50
Tinnermeier, R. (Coordinator)	3.31	2.5	2.00	4.50
Secretary	-	3.0	-	5.00
	<u>3.31</u>	<u>7.0</u>	<u>3.28</u>	<u>14.00</u>
<u>Professional Staff</u>				
Campus				
Tinnermeier, R.	5.00	5.00	4.04	
Spencer, W.	.55			
Williams, S.	.88			
Sparling, E.		1.50		
	<u>6.43</u>	<u>6.50</u>	<u>4.04</u>	<u>21.00</u>
Off-Campus				
Dickey, T.		2.5	12.0	14.50
<u>Support Staff</u>				
Longwell, J.D.	4.5	8.0	10.50	15.00
	<u>14.24</u>	<u>24.0</u>	<u>29.82</u>	<u>64.50</u>

^aAs amended August 3, 1979.

Occasional Paper No. 2, entitled "Investigaciones sobre la Recoleccion de Datos de Costos de Produccion en la Republica Dominicana" by J. D. Longwell was released in July 1980. This paper summarizes a report made by Mr. Longwell to the Dominican Agricultural Bank concerning preliminary research results on alternative methods of collecting rice production cost data for use by the Bank. This research was part of the Credit Project activities in the DR. A more detailed report of his study will be available about the end of October. An abstract of the thesis research is shown in Appendix C.

A third Occasional Paper, "Metodologia de Costos de Produccion" by Thomas Dickey, summarizes the cost of production methodology being jointly implemented by the Bank, the Rural Administration Division, Secretariat of Agriculture (SEA), and the Credit Project. The paper presents general procedures for gathering cost data, the land and technology classification system, criteria for specifying crops on which to prepare budgets, and interviewing procedures. A number of other policy position papers, data sheets, and similar material were produced by Dr. Dickey for internal use of the Agricultural Bank in the DR.

In cooperation with Loren Parks at OSU, Dr. Tinnermeier jointly authored an OSU International Development Series report (IDS No. 80-5) entitled "Production Loans to Groups of Farms: Experiments in Honduras." This report summarized the Project experiences with small farmer group loans in Honduras in light of the potential advantages of group lending expressed in development literature. Copies of the report can be obtained from OSU.

Other activities not directly funded by the Credit Project but which are complementary to building a knowledge base of use to the Project include:

- Jerry Ladman and R. L. Tinnermeier, "A Model of the Political Economy of Agricultural Credit: The Case of Bolivia," American Journal of Agricultural Economics (forthcoming February 1981).
- Master's Thesis by Ramon Alcachupas, Philippines, entitled "An Economic Analysis of Masagana 99 Farm Record-Keeping Data: Iloilo, Philippines" (Fall 1980).
- Master's professional paper by Sayed Abdul Hye, "Agricultural Development--The Case of Bangladesh and a Strategy for It," September 1980. This paper includes a section on credit for small farm development.
- Melvin Skold and Ronald Tinnermeier, "The Role of Land Grant Universities in the Process of International Development," paper presented to workshop on CSU's Role in International Development Process Through International Education, Research and Technical Assistance Programs, Ft. Collins, Colorado, January 16-18, 1980.

3. Project Activities in the Dominican Republic

A. Work Plan

The Plan of Work for the Dominican Republic was completed in October of 1979. The Bank has provided formal approval of the Spanish version. English and Spanish copies were sent to AID/Washington and the Mission in the Dominican Republic.

Copies of the 1979 and 1980-81 Work Plans are enclosed as Appendices D and E, respectively.

B. Progress on Planned Activities

i. Data Collection

a) Enterprise Budgets

An interinstitutional system for enterprise budgets has been designed and is currently being implemented by the Bank and the Secretariat of Agriculture's (SEA) Farm Management Division. Under this system, the SEA has overall responsibility for the budgets, and Bank Credit Agents perform some of the data-gathering small farmer interviews. Planning has begun on the procedures that will be required for the Bank to use the budgets in their loan granting process. The methodology for collecting data and preparing the budgets may be summarized as follows:

*SEA and Bank employees in each Region specify crop, technology characteristics and area of applicability of the budgets to be prepared. Each budget is assigned to one of the SEA employees and he becomes responsible for seeing that the interviews are performed and for preparing the budget. Draft budgets are reviewed by the Regional Farm Management Specialist only.

*The SEA and Bank employees must find at least five farmers that produced the crop with the specified technological characteristics in the specified area. The interviews are conducted using an open-ended approach in which the interviewer asks "and what did you do next?" For each reported activity, complete information is obtained, including data on related purchases, rentals, etc.

*The technology characteristics are categorized as follows:

- a) Planting (direct or transplant)
- b) Origin of Water (dryland, irrigated, etc.)
- c) Input Use Level (none to high)
- d) Land Preparation (none, manual, animal, mechanized)
- e) Land Capability Class (I to IV)
- f) Special Characteristics (open ended)

The current methodology covers variable costs for annual crops planted alone. The methodology will be expanded to cover fixed costs, perennial crops and intercropping only after the current methodology has been successfully mastered by the SEA and Bank employees.

Three day training courses were held in each of the eight regions of the country between May and July of 1980. In each course, the operation of the system and methodology were discussed in detail, practice interviews were performed using farmers in nearby areas, a practice tabulation was done using the data from the practice interviews and plans were made for preparing the budgets. The planning included specification of budgets, responsibilities and deadlines.

A total of 298 budgets covering 34 crops were planned. This is an average of 37 budgets, covering 16.5 crops, per region. In addition, 55 additional budgets, in which up to two line items are estimated to reflect slight changes in technology, have been planned. This planning is subject to change by the regional employees.

b) Prices Data

No efforts have been made to collect price data because the SEA has an established system for collecting price data.

ii. Farm Record Books

The farm record book activity is designed to test alternative methodologies for using record books as a device for collecting data on small farm operations. For agricultural development banks, the two most promising uses of farm record keeping in the near future will be: 1) to provide an alternative data source for enterprise budgets, and 2) to provide semi-organized situations in which desk-bound bank officials can learn how bank policies affect the borrowers. Farm record keeping is too expensive, at this point in time, to be the primary source of data for enterprise budgets. However, a small-scale record keeping activity can be used as a source of data for judging the validity of budgets prepared with single-visit interview data.

It is assumed that a paid interviewer will make weekly visits to each participating farmer in order to question the farmer about the operations of the previous week and to enter his responses in the record book. Therefore, the forms and their organization have been designed with the objective of simplifying the interview/data entry process, without compromising either their accuracy or completeness. The farm record books used by the Project in Honduras organizes the common entries by type of transaction, i.e., incomes, expenses, etc., as is normally done in United States farm records.

The first version of the record book for the Dominican Republic organized the common entries as follows. First, all transactions or activities that involved an input or product were entered. These include purchases, sales, use of stored items, losses, gifts given or received, etc. Each entry specified the item, origin, destination, quantity, price and value. The origin entries specify where the item came from

(purchases, storeroom, enterprise) and the destination entries specify the disposition or use of the item (sales, losses, gifts, enterprise). Secondly, all work activities (manual or mechanical, hired or own) were entered, using separate columns for each enterprise. This organization proved to be susceptible to incomplete data entry because many activities involve product or input movement and the interviewer would have to flip back and forth between sections of the book. For example, the harvest of a crop involves labor and transportation (activities) and sales and purchase of sacks (products and inputs). These problems of incomplete entry were encountered through our policy of preparing income and expense summaries for each enterprise as soon as possible after the harvest.

The second version of the record book organizes the common entries by enterprise. This allows all common entries for an enterprise to be placed together on a single page. This facilitates the interview/data entry process in that the concentration of the interviewer is not interrupted by the need to flip back and forth between sections of the book. When the interviewer's concentration is not interrupted, he/she will be more likely to recognize that information is missing and to request it. It should be mentioned that the small farmer's recall is better when the interview is conducted by enterprise than when you first request one category of information for all enterprises and then proceed to the other categories. The second version of the record book was introduced in mid-August of 1980, with six of the ten participants.

iii. Institutionalization of Analytical Capabilities

The institutionalization of the data collection methodologies being designed and tested by this Project will depend on:

- a) the design of a system of procedures that standardizes those tasks that will be routine,
- b) the training of employees to make the judgments required in non-routine tasks, and
- c) the successful incorporation of the information and knowledge derived from the data into the bank's operations. This includes: 1) the use of standard, but modifiable, budgets (investment plans) into the loan granting process, and 2) the analysis of bank loan policies and their effects on the farm operation of the borrowers.

The enterprise budgets methodology and system standardize a majority of the tasks that are required and place responsibility for judgments in the hands of those persons most capable of making each particular judgment. The decisions on what budgets to prepare are delegated to the employees at the regional level and the judgments required in the data tabulation/budget preparation process will be made by the Farm Management Specialists who are generally university trained agronomists.

The Bank cannot be expected to continue the operation of the systems that are developed unless they prove to be useful to the Bank in their operations. For this reason, the Project staff have begun designing the set of policies and procedures that will permit an effective utilization of the information in the loan granting process. First, the Bank will have to convert the budgets that reflect the costs of the previous crop cycle into budgets that estimate the costs to be incurred in the next crop cycle. Secondly, the bank forms for the economic evaluation of the activity to be financed will require changes. Thirdly, it is expected that for logistical reasons, all applications will need to be received in the Bank's offices rather than in the farmers' fields or homes. This change, in turn, will require changes in the farm inspection policies (at least for the proven clients) so that the time required to process a loan application is not increased any more.

The analysis of the effects of the Bank's credit policies and procedures, using the data collected under Project generated systems or others, requires accurate knowledge of what the policies are and of the uniformity of compliance with the current policies in all bank offices. It is for this reason that the Project has undertaken, with direct Bank assistance, the task of compiling a Credit Policies and Procedures Manual.

At this time, the Bank policies are made known to the Bank employees through an assortment of memorandums and directives. The lack of an organized Manual has resulted in the non-uniform knowledge of policies by the large numbers of employees. Consequently, most of the policies, many of which date back ten or twenty years, have been passed on by word-of-mouth and constitute a tradition rather than a coherent set of policies. Most of the directives amend or modify previous directives rather than present a complete version of the new policy, as amended. The existence of a comprehensive Manual will permit: (1) the uniform application of the policies, (2) the analysis of the effects of the policies on bank operations and on the farm operations of the borrowers, and (3) implementation of procedures to use the enterprise budgets mentioned previously.

The Bank assigned three employees to work under the direction of the Project staff in searching Bank files for all documentable policies that are in force. This stage was completed in August of 1980. A draft of the Policies section of the Manual has now been completed and will be submitted to the Bank. A second, and unexpected, step that will be needed is the incorporation of *de facto* changes that have occurred due to the normal process of oral "clarification" of the written directives.

A particular Bank policy that has merited attention is the Client Classification System. The system was first implemented in 1963 and currently has little impact on bank lending procedures. An effective Client Classification System will greatly facilitate the utilization of the enterprise budgets in the loan granting process. The system that has been recommended by the Project and is under consideration by the Bank, relies solely on a client's repayment record for determining his classification. The number and type of agent visits/inspections would be determined according to the client's classification and the percentage increase in loan value that the client is requesting, if the enterprise is similar to the ones previously financed. The on-farm inspection, that is now required before the loan can be approved, would be eliminated for good clients that are requesting small increases for similar enterprises. This change would speed the loan approval and initial disbursements and should contribute to the promptness of repayments when the clients learn that prompt repayment is rewarded with faster service in the future. With the need for the prior inspection eliminated, and the use of standardized budgets/investment plans, it would become possible for a good client to walk into the bank office, make his loan request and walk out with the initial disbursement.

iv. Training of Bank Personnel

a) Formal Training

Eight three day courses on the methodology and administration of the budgets system were given between May and July of 1980.

The attendance in each course is summarized in the following table:

<u>Region</u>	<u>SEA-Farm Mgmt.</u>	<u>Bank Agents</u>	<u>Others</u>	<u>Total</u>
North	5	8	-	13
Northeast	5	10	-	15
Northwest	4	8	-	12
Central	6	8	3	17
Southwest	4	7	9	20
South	4	4	-	8
East	5	9	3	17
Northcentral	<u>4</u>	<u>6</u>	<u>-</u>	<u>10</u>
TOTALS	37	60	15	112

It is expected that more formal training will be provided to SEA and Bank employees. Potential topics for courses include:

- 1) Training in advanced budget methods, including the treatment of fixed costs, perennial crops and inter-cropping enterprises.

- 2) Training of Bank employees in the procedures to be followed in using the budgets in the loan granting process and in general farm management analysis.
 - 3) Training of Bank employees in current Bank policies and procedures and in the use of the Credit Policies Manual.
- b) Informal Training
- The Project staff is currently visiting each of the eight regions to provide more training in the process of data tabulation and budget preparation, and to provide follow-up encouragement and supervision in the entire budgets system.
- Informal training continues with the Project counterpart and the employees of the Bank's Programming and Credit Operation Departments.

4. Summary

In summary, it is our opinion that the Project is progressing satisfactorily. The OSU and Honduran activities have been completed as summarized in a number of final technical reports and the final Project report for the OSU part of the Project (available from AID or OSU).

Four main activities are continuing in the Dominican Republic: (1) budget system development and implementation, (2) farm record books, (3) institutionalization of these tools in the Bank operations, and (4) training of Bank and Secretariat of Agriculture staff in the development and application of enterprise budgets and farm records.

Obviously, the extent to which the data collection and analysis methodologies are institutionalized by the Bank will largely depend on administration and staff interest, availability and ability of Bank personnel, sufficient time, and general support of interinstitutional activities by the affected agencies (Bank and SEA). Due to the very short life of the Project, we are not optimistic that complete institutionalization will take place. Nevertheless, every effort will be made to assist the Bank in making policy and operational changes that will allow Bank implementation of the methodologies on a continuing basis.

We are pleased with the general support of the Bank for the Project activities and staff. We look forward to another year of joint collaboration in carrying out Project activities.

Finally, we feel a strong cooperative relationship and mutual respect has been developed among the CSU and OSU staff. Even though the OSU portion of the Project has been completed, we plan to maintain professional contact with the OSU staff to build on the Honduran experience and to share with them the experiences and results of the Project in the Dominican Republic.

APPENDIX A

**CHRONOLOGY OF EVENTS AND
DOCUMENTATION LEADING TO CSU'S
PARTICIPATION AND RESPONSIBILITY FOR THE SMALL
FARM CREDIT PROFITABILITY AND REPAYMENT PROJECT
(CO-AG No. AID/ta-CA-3)**

**Compiled by
Ronald L. Tinnermeier
Project Coordinator**

**Department of Economics
Colorado State University**

LIST OF ITEMS*

(Small Farm Credit Profitability and Repayment Project
hereafter referred to as Credit Project)

1. September 1, 1976: Basic Memorandum of Agreement signed with AID under Expanded Program of Economic Analysis for Agricultural and Rural Sector Planning (AID/ta-BMA-6). This document was the basic agreement which allowed for the development of specifically funded cooperative Agreements for the Credit Project (also used for the CSU Lesotho Agricultural Sector Analysis Project).
2. May 1, 1977: Cooperative Agreement (AID/ta-CA-2) signed with TA/AG/ESP to acquire the services of R.L. Tinnermeier to discuss and develop the design and implementation plan for a proposed Small Farmer Credit study to be funded under the Expanded Program. Project projected through December 1977.
3. May 18-21, 1977: R.L. Tinnermeier and Anne Ferguson ESP/AID/Washington Traveled to Honduras to explore feasibility of locating Credit Project in that country. Travel was funded under AID/ta-CA-2. USAID and National Development Bank (BNF) expressed interest in moving ahead on the project.
4. July 14, 1977: AID Request for Proposal from CSU to enter into three year Cooperative Agreement on developing data collection and analysis methodologies which credit institutions in LDC can use.
5. July-September, 1977: CSU proposal submitted July 27 for total budget of \$560,907. Letters of August 19 (Frantz to Perelli, AID) and August 23 (Perelli to Frantz) refer to budget negotiations.
6. August 16-26, 1977: Trip to Philippines to explore locating credit project in that country. R.L. Tinnermeier and Odell Walker (Oklahoma State University) met Anne Ferguson AID/Washington in Manila for project discussions. USAID/Manila and Farm Systems Development Corporation (FSDC) wished to proceed with the Credit Project and a draft Memorandum of Understanding was prepared and discussed with USAID, FSDC and the Technical Board for Agricultural Credit (TBAC).
7. September-November, 1977: Project Management Committee formed to coordinate CSU-OSU activities and a CSU-OSU Memorandum of Understanding was prepared and signed.
8. September, 1977: Letters to FSDC (Sept. 8), TBAC (Sept. 13) and Ferguson (Sept. 16) assumed project moving ahead based on telephone conversation with Anne Ferguson. Proposed visit of FSDC and TBAC representatives to U.S. understood to be paid by USAID/Manila.

* Items underlined are those included in the documentation notebook.

9. September 26, 1977: Cooperative Agreement AID/ta-CA-3 finalized with a budget of \$478,581 assuming CSU would handle long-term advisor in Philippines. Oklahoma State University also signed a Coop-Ag. for \$331,000 with responsibility for placing advisor in Honduras. R.L. Tinnermeier given overall coordinator responsibility for project including the two country programs.
10. September 21, 1978: Tentative timetable for Credit Project prepared.
11. October-November, 1977: USAID/Manila requested, via AID/Washington, that CSU-OSU pay for travel to U.S. of Meli Agabin (TBAC) and per diem costs of Jac Jacolbe (FSDC). CSU telex of Oct. 14 proposed schedule for visitors. USAID/Manila cable via Washington of Oct. 17 specified trip objectives and financial support requested. CSU telex of November 3 notified prepaid ticket had been sent for Agabin and that OSU would pay per diem for Jacolbe. AID/Washington approval for paying invitational travel received (letters from V.C. Perelli, Nov. 8, 1977). USAID/Manila cable via Washington suggested visit may be delayed. Schedule with CSU, OSU and outside credit agencies had already been set up and were cancelled.
12. November 13-18, 1977: Travel to Honduras by Dan Badger and R.L. Tinnermeier to develop project arrangements with the National Development Bank (BNF) as summarized in the attached clearances and trip report. Accompanied by Erhardt Rupprecht, AID/Washington. Draft Memorandum of Understanding prepared and discussed with USAID and BNF.
13. November 19-December 17, 1977: After considerable delay and confusion, two of the three scheduled visitors from the Philippines arrived without notification on November 19th. A tentative schedule for their visit had been cancelled due to the delay. Meetings were rescheduled with difficulty due to their delayed visit falling over the Thanksgiving break. A revised Memorandum of Understanding was prepared on November 20-21 with OSU participation. Jac Jacolbe arrived November 25 and the group departed for OSU on the 29th. The PIO/T and trip report of Galoso outline activities during their visit.
14. December, 1977: January Philippines trip for Bill Spencer and Simon Williams proposed and clearances received.
15. January 21-31, 1978: Bill Spencer and Simon Williams joined Erhardt Rupprecht in Manila to finalize agreements with FSDC. Some difficulties were encountered as reflected in their trip report. A newly revised Memo of Understanding and work timetable wasn't signed by their departure date and the naming of a Filipino as the long-term technician was raised as an issue. Rupprecht letter of February 2 summarized his view of the problem areas.
16. February 5-18, 1978: Honduras trip report summarizes visit of Dan Badger, Loren Parks, Harry Mapp, Jr., and Odell Walker from OSU and Ron Tinnermeier from CSU. Agreements were finalized and proposed project activities were discussed.
17. March, 1978: Honduras Memorandum of Understanding signed by all parties and Project Agreement between USAID and BNF signed.

18. April 13-14, 1978: R. Tinnermeier traveled to Stillwater, Oklahoma to discuss project activities in Honduras with OSU staff. Tentative Work Plan resulted from that meeting and from previous discussions. A copy was sent to the BNF for their response.
19. February-June, 1978: Discussions continued with Philippines to finalize Memorandum of Understanding. Concern raised about significance of delay for project through February 24 letter from Bill Merrill, TA/AG/ESP to USAID/Manila; March 8 letter from R. Tinnermeier to FSDC; ESP March 30 cable to USAID/Manila; and various telephone calls. No written response was received by CSU or OSU from the Philippines.
20. June 6-9, 1978: R. Tinnermeier traveled to AID/Washington to discuss the Filipino delay and alternative strategies. Informal contacts were made with AID Regional Bureaus to identify possible alternative countries. After considering a number of countries, it was agreed that the credit project should shift from the Philippines to Nicaragua if it was possible before the end of this fiscal year. A June 21 memo to K.C. Nobe summarized the rationale for initiating contacts in Nicaragua. A June 19 letter from Tinnermeier to David Bathrick, USAID/Managua, outlined a tentative plan of work in Nicaragua with the Institute for Compesino Development (Instituto de Bienestar Compesino--INVIERNO).
21. July 18-23, 1978: Ron Tinnermeier traveled to Nicaragua to join Dan Badger(OSU) in discussions about locating the Credit Project in that country. A Memorandum of Understanding was signed by Gustavo Gomez-Casco, General Manager of INVIERNO. The document was hand carried to the States for signatures at CSU and OSU. A draft Project Agreement was left for finalizing between USAID and INVIERNO.
The trip included a two-day stop in Honduras to discuss project activities with BNF. Loren Parks is well settled as the long-term project technician. Discussions are progressing on the development of a more detailed scope of work. The trip accomplishments in Nicaragua and Honduras are summarized in the Trip Report.
22. August 1, 1978: Announcement for Nicaragua position released through Affirmative Action Program of CSU. Applications received by September 1, 1978 will be considered first or later applications will be considered until an acceptable candidate is identified.
23. August 9, 1978: Notification sent to FSDC by letter on the shift of project to Nicaragua. Future colabration with the Philippines is welcomed subject to a stronger expression of interest from them and to the availability of AID funding for a third country. August 19 letter to TBAC also indicates changes in the project.

24. August 25, 1978: Nicaraguan Memorandum of Understanding finalized and sent to INVIERNO. Reception verified by Gomez letter of September 6, 1978.
25. September 1978: Eligible applicant in response to Nicaraguan field party position announcement identified by the Economics Department Selection Committee along with a request to the CSU Affirmative Action Office for approval to proceed to interview for the position.
26. Civil conflict in Nicaragua during the fall made implementation of project in Nicaragua impossible. Discussions were held with AID/Washington to determine alternatives.
27. December 6-14, 1978: Karen Wiese, AID/W and R. Tinnermeier traveled to Honduras and the Dominican Republic. Progress of the project in the BNF was discussed. The Dominican leg of the trip was to attend the Credit Seminar sponsored by the Central Bank, USAID/Honduras, and Ohio State University and to initiate discussions on locating the project in the DR due to the problems in Nicaragua. The response was positive and potential DR institutions included the Dominican Development Foundation and the Agricultural Bank. Details of the visit are in the trip report.
28. March 14-27, 1979: Odell Walker (OSU) and Ron Tinnermeier traveled to the DR to obtain agreement on locating the Credit Project there. The Agricultural Bank was agreed to and a proposed Memorandum of Understanding was left with the Bank and USAID. USAID indicated no logistical support could be provided due to a personnel freeze. See trip report for details.
29. Position Description No. 79-6 released March 1, 1979 for DR position through affirmative action procedures. Selection committee recommended Thomas Dickey (see personal vita), an offer was made June 4, 1979, and Mr. Dickey accepted the position effective July 15, 1979. An Overseas Employment Agreement was then prepared and signed.
30. June 25-30, 1979: Trip to DR by Thomas Dickey and Ronald Tinnermeier to finalize agreement with Ag Bank and to introduce Mr. Dickey as the proposed long-term technician. USAID and Ag Bank clearances were obtained for Dickey and J. D. Longwell to locate in the DR. The Memorandum of Understanding was left for signatures. Trip report and clearances attached.
31. J. D. Longwell and wife, Mary Ann, cleared by USAID to arrive in DR on July 15, 1979. He was expected to spend eight to ten months on research for his M.S. on data collection and analysis.
32. Clearance for Dickey arrival in DR on or about July 23, 1979 obtained from USAID and Bank.
33. July 6, 1979: All signatures obtained for Memorandum of Understanding with Ag Bank, OSU, and CSU.

34. July 29, 1979: Project Management Committee met at Pullman, Washington in conjunction with AAEEA meetings. Past activities were reviewed and general plans were made for the upcoming year. Minutes attached.
35. Visit of Dr. Dickey to Honduras September 16 - 20, 1979 to observe Project activities and accomplishments. Trip report submitted after visit.
36. Visit of Loren Parks and R. Tinnermeier to the Dominican Republic, October 14 - 18, 1979. Trip was to discuss and help design a plan of work for the Dominican Republic portion of the Project. Trip report by Dr. Tinnermeier attached. Dr. Parks submitted his report through Oklahoma State University.
37. October 25, 1979: Plan of Work for the Dominican Republic was submitted to AID/W, USAID, and Bank in English and Spanish.
38. Visit to Dominican Republic by D. Schreiner and Mike Hardin (OSU), R. Tinnermeier (CSU) and Karen Wiese (AID/W) to review Project activities. Trip report for Tinnermeier attached. Also see separate OSU trip report.
39. Plan of Work approved by Banco Agricola 22 February 1980.
40. Visit to Honduras by R. Tinnermeier, March 11 - 19, 1980 to observe field activities with farmer borrower groups and to review other Project activities. See trip report.
41. Visit to Dominican Republic by R. Tinnermeier, May 18 - 28, 1980 to: attend a field training session, review research by Longwell, and review general progress of Project. See trip report.
42. September 10 - 12, 1980. Project Management Committee met at Stillwater. Past activities were reviewed and future work in the Dominican Republic was discussed. See Agenda and list of participants. OSU team distributed end of Project administrative and technical reports.

APPENDIX B

AID - CSU - OSU ANNUAL REVIEW
SMALL FARMER CREDIT PROJECTTENTATIVE AGENDAWednesday, September 10, 1980

- 6:00 p.m. - AID Group Arrive
CSU Group Arrive
All have reservations at Student Union Hotel
- 8:30 p.m. - Informal Session at Betty & Dan Badger's
601 N. Skyline Lane
Loren Parks show General slides of Honduras
Tom Dickey show general slides of Dominican Republic

Thursday, September 11, 1980 (410 Ag Hall)

- 7:15 a.m. - Breakfast in State Room
- 8:30 a.m. - Overview of SFC Project
Ron Tinnermeier, CSU
Dan Badger, OSU
Karen Wiese, AID
- 9:15 a.m. - Overview of Honduras Project with slides
Loren Parks, OSU
- 9:45 a.m. - Coffee Break
- 10:00 a.m. - Honduras Activities: Credit Programs, Budgets, Farm
Records, Group Loans
- noon - Lunch at Seven Knights
- 1:45 p.m. - Honduras Activities (Continued)
E. Training Programs
Loren Parks and Dan Badger
Coffee Break

Thursday Continued

- 2:10 p.m. - Overview of Dominican Republic Project
Tom Dickey, CSU
 - A. Records Project
Tom Dickey
 - B. Counterpart Training
 - C. Training Programs
- 3:30 p.m. - Review of OSU Contractual Commitments with AID
- 6:00 p.m. - Dinner at Stillwater Country Club

Friday, September 12, 1980

- 7:14 a.m. - Breakfast in State Room
 - 8:30 a.m. - Discussion of Accomplishments of Small Farmer Credit Project and Possible Follow-Up Projects
 - 10:00 a.m. - Coffee Break
 - 10:15 a.m. - Review of OSU Budget
Review of CSU Budget
 - 11:00 a.m. - AID Response
Karen Wiese, AID, Washington
Rollo Ehrich, AID, Washington
Ralph Conley, AID, Honduras
 - 12:00 p.m. - Close Review of SFC Project
-

- 2:30 p.m. - Seminar on "Agricultural Credit Programs in Developing Countries"
Tom Dickey, CSU

PARTICIPANTS IN 1980 AID REVIEW

SMALL FARMER CREDIT PROJECT

AID/WASHINGTON

Karen Wiese
Ralph Hanson

AID/HONDURAS

Ralph Conley

COLORADO STATE UNIVERSITY

Ken Nobe
Ron Tinnermeier
Tom Dickey

OKLAHOMA STATE UNIVERSITY

Charles Browning, Ag. Dean
Bill Abbott, Int. Prog.
Hugh Rouk, Int. Prog.
Frank Baker, Int. Prog.
Jim Osborn
Loren Parks
Dean Schreiner
Odell Walker
Harry Mapp
Joe Williams
Dan Badger

APPENDIX C

ABSTRACT OF THESIS

ANALYSIS OF THREE METHODOLOGIES FOR COLLECTING
DATA FROM SMALL FARMERS IN THE DOMINICAN REPUBLIC

Institutions working to improve the social and economic conditions in the rural sector of Third World countries frequently lack adequate empirical data upon which to base their policies and evaluate their programs. Without such data, these institutions are forced to develop policies based on value judgments that are often inaccurate or inappropriate. These value judgments can have negative effects on both the institution and the people that are served by the institution.

This thesis presents an alternative model for collecting data from small farmers in the Third World. The model is based upon empirical data gathered from farmers, and it employs the process of inductive-deductive reasoning to arrive at policy decisions. The effects of the policies on farmers are verified through follow-up visits by the institution, and the overall effectiveness of the program is evaluated and made available for future program development and for use by other institutions.

The model was tested by comparing three methodologies for collecting production cost data from small farmers in the Cibao Valley of the Dominican Republic. The three methodologies were: (1) the estimation of production costs by an Agricultural Bank credit agent; (2) a purposive sample of five farmers chosen by the credit agent; and, (3) a random sample of thirty farmers. The purpose of testing these methodologies was to determine if credit agents can accurately estimate production costs and also to determine the administrative costs to the Agricultural Bank of the Dominican Republic of employing random sampling over purposive sampling. In addition, the production cost data collected from farmers were subjected to a production function analysis.

The results of the analysis of the three methodologies support the hypothesis that credit agents' estimations of production costs vary significantly from the production cost data provided by farmers based on their own farming operations. No significant biasing was caused by purposive rather than random sampling, and the administrative costs to the Agricultural Bank of employing one methodology over another was insignificant.

John D. Longwell
Department of Economics
Colorado State University
Fort Collins, Colorado 80523
Fall, 1980

APPENDIX D

Colorado State University
Small Farm Credit Profitability and Repayment Project
AID Cooperative Agreement AID/ta-CA-3

PLAN OF WORK FOR THE DOMINICAN REPUBLIC

Objective: To develop methodologies which credit institutions in LDCs can use to carry out analysis which can improve credit policies and programs and impact upon the repayment problem.

Project Scope of Work:

- 1) The development of budget analysis and cost-effective data collection methodologies.
- 2) The analysis of collected data and utilization of the results by the cooperating host-country institution; and
- 3) The dissemination of the developed methodologies and their results within the host country and other developing countries.

Project Structure:

Each of the cooperating U.S. universities (Colorado State and Oklahoma State) has one long term advisor working with an agricultural Credit institution. The O.S.U. advisor began working in July 1978 with the National Development Bank (Banco Nacional de Fomento) in Honduras. The C.S.U. advisor began working in August of 1979 with the Agricultural Bank of the Dominican Republic (Banco Agrícola de la República Dominicana). Short term assistance is provided as needed by either university. The Banks provide office space and secretarial services for the in-country activities and assign one of their employees to the project activities to be the advisor's counterpart. The universities also provide on-campus personnel for project activities and administrative support for the field activities.

Dominican Republic Project Activities:

A. Initiation of In-country Work

The activities of this phase involve the establishment of the advisor in the Dominican Republic, familiarization with the Bank's operations and needs, formal definition of the project structure and design within the Bank. Specific activities include:

1. Establishment of project office and administrative procedures.
2. Fulfillment of legal requirements for the residency status of the advisor and for the importation of the project equipment and the advisor's personal effects.
3. Familiarization with the Bank's operations, personnel, policies, goals, performance and problems through personal discussions, review of materials and field visits.
4. Familiarization with activities and personnel of institutions operating in the agricultural sector for the purpose of coordinating the project activities and building on their existing knowledge and experience. These institutions include the Secretariat of Agriculture (Secretaría de Estado de Agricultura-SEA), The Interamerican Institute of Agricultural Sciences (IICA), the U.S. AID Mission and others.
5. Gathering of existing data on the Dominican Republic agricultural sector (maps, crop and livestock production data, economic reports and analyses).
6. Development of a joint CSU-Bank Plan of Work for the project that meets the requirements of the CSU-AID Cooperative Agreement and the needs of the Bank.

B. Approach of Project Implementation in the Banco Agrícola.

The data required in the operation of an Agricultural Bank may be categorized as follows:

- a) Data required for each loan application for the determination of: (1) the technical and economic feasibility of the farm enterprise or project to be financed, and (2) the compliance of the applicant and the proposed financing with the current bank policies and rules for lending.

- b) Data required for the bank's normal internal management and control of its operations (accounting).
- c) Data required for the statistical reports that are required by the institutions that supply the bank with capital (Central Bank, AID, IDB, etc).
- d) Data required for a regular and systematic program of evaluations and analyses of bank policies, and
- e) special data requirements for special, one-time studies.

The data categories (a) to (d), above, will contain significant duplications and any data collection methodologies developed under this project must be designed in the context of the entire data collection system of the Bank. The primary emphasis of this project will be placed on the data in categories (a) and (d). (See section C.I. below).

The data collected must be combined with Bank capability for analysis for either to be useful in improving Bank policies and operations and the effectiveness of the Bank loans for the farmer-borrowers. Either component by itself cannot justify the cost to the Bank of obtaining or establishing it. For this reason, the project activities include: (a) the development and testing of data collection methodologies, (b) the development of an institutional capability to use and analyze the collected data, (c) a training component that will support both (a) and (b). Part of the task of institutionalizing the use of the collected data is making either the collected data or the results of the analysis available to those bank employees that need the information and in a form which they will readily use. For this reason, and following the example set in the OSU-BNF (Honduras) field work, the budgets and price data will be presented to the field credit agents in the form of a Manual. This Manual will also be used for other types of information that the agents need on a daily basis in the field.

The project will follow an approach of developing both the data collection and analytical capabilities in a balanced fashion in order to assure maximum effectiveness of the project. Neither component should be allowed to advance much faster than the other one. In this way, the collected data will be used and the analytical capability will have data.

C. Planned Project Activities.

1. The Data Collection Component.

In this component, the project will develop data collection methodologies and institutionalize the data collection system in the Banco Agrícola. Emphasis will be centered on collecting data for (a) Cost of Production Budgets, (b) Product and Input prices, and (c) detailed farm management case study data (through farm record books). Methodologies for other types of data may be developed as needed by the Bank.

Budgets and Price Data

The Cost of Production (Enterprise) Budgets will be developed by ecological zone and by selected characteristics such as level of technology, land quality, etc. Through the existence of specialized budgets (rather than a single budget for the country) the Credit Agents will be able to assist the farmers in evaluating alternative enterprises or technologies for incorporation into their farm plans and, by making minor modifications to the published budgets, design the loan for the farmer's particular needs. The time required to process an application can be reduced if the Agent can simply note any modifications and the revised totals. A future benefit would be the improved accuracy of Bank financial projections (once estimates of the areas financed under each budget are available) and as a data base for special policy analyses. They may also be in demand by other institutions such as the National Price Stabilization Institute.

The Input and Product Price data will be valuable in the preparation and periodic updating of the budgets and as data for special policy analyses.

In view of the fact that the Secretariat of Agriculture (SEA) has a program for budgets and price data, the project will make every attempt to combine efforts with SEA to modify their methodologies in accordance with the needs of the Bank. It is hoped that SEA will recognize that the Bank should be one of the most important consumers of their data and would therefore be amenable to modifying the methodologies. This effort will be coordinated also with the IICA advisor to SEA's Department of Agricultural Economics.

Farm Record Books

The farm record keeping activity of the Project will initially involve the implementation of the OSU-Honduras Record Book (as is or with slight modification) with a small number of farmers in one area of the country. The purpose of this activity is to provide hands-on experience to the CSU advisor and bank employees in the decision-making processes of small farmers. Such an experience for the Bank employees may have an indirect influence on bank credit policies.

Since SEA is also beginning a more extensive farm record keeping activity using their relatively large staff of rural administration " field specialists, this project will encourage the Bank to assign someone on either a full or part-time basis to assist SEA in their program. This collaboration would: a) permit the Bank to adequately evaluate the reliability of the collected data, b) permit the Bank to exert an influence on changes in the methodology, and c) allow full and rapid access to the detailed data collected.

Case studies may be developed from either the limited project data or the SEA data.

D. Institutionalization of Analytical Capability.

The process of institutionalizing analytical capabilities within the Bank involves: 1) the incorporation of specific responsibilities for analysis into the functions of the Bank's agencies, sections and departments and 2) training of Bank personnel in analytical methods. The incorporation of new analytical responsibilities will require some reconsideration of existing functions and responsibilities of the Bank personnel involved so as to avoid overburdening the Bank employees. Although a complete evaluation of the functions of employees is beyond the scope of this project, it is incumbent upon the persons that recommend new functions to make suggestions about how existing functions can be simplified or eliminated so as to make time for the new ones. If such adjustments are not made, a serious risk of gradual elimination of the new functions will exist after the project is completed.

This component will concentrate on the development and institutionalization of analytical capability among the Credit Agents in the Branch Offices, in the Programming Department and in the Credit Operations Department. The principal activities to achieve this objective may include:

- 1) The design of a Credit Agent's Manual that the Agents will find invaluable for their field work.
- 2) The incorporation of systems for the continuation of data collection activities into the design of the data collection methodology.
- 3) The design of data tabulation procedures and formats for publication in the Manual.
- 4) The design of practical methods for the agents to use the published data in the formulation of individualized loans.
- 5) The design of special studies or analyses as examples of other uses of the collected data or other types of data that could be obtained through the data collection system.

E. Training of Bank Personnel.

Both the Data Collection and the Institutionalization Components will require training of the Bank personnel involved. This training will involve formal seminars or short courses and informal "on the job" training. The formal courses will concentrate on training the data collectors in the methodologies to be used and on training the Credit Agents in the application of the information obtained in order to improve the effectiveness of the loans that they design for the farmers. The informal training will occur on a continuing basis through the daily contacts with Bank personnel at all levels and will concentrate on the evaluation of alternative methods of collecting data from small farmers and in the design of both the recurring analyses or special one-time studies. Training may also be provided to SEA personnel either in Bank sponsored activities or in SEA sponsored activities.

The training materials developed by OSU in Honduras should be extremely useful in the courses. Further refinement of the materials developed in both countries should permit the preparation of training modules for use in other countries.

The Project Personnel will also seek to identify potential candidates for U.S. university training under the AID Participants Program.

25-Oct-79

TMD

APPENDIX E

1980-81 PROJECT ACTIVITIES
(10/1/80 - 9/30/81)1. Budgets System and Methodology

- A. Methodology - Will be expanded for fixed costs, perennials, inter-cropping, etc., depending upon degree of mastery of simple methodology.
- B. System - If and to the degree that it is successful, expand to include other institutions.
If not successful, determine how to reduce system for Bank-only implementation.
- C. Basic Budgets Report will include:
 - 1. Analysis of technological variations and cost variations among regions.
 - 2. Comparison of system generated budgets and Bank produced budgets.

2. Farm Record Books

- A. Two approaches will continue to be tested - the second version with six participants and the original with four farmers.
- B. Reports
 - 1. A Basic Report on Methodologies, Uses, and Comparisons
 - 2. (Optional) Comparative analyses of data generated

3. Institutionalization

- A. Design and implementation of procedures for utilization of Budgets in loan granting process, includes recommending changes in forms and procedures and includes client classification.
- B. Completion of Credit Policies and Procedures Manual and adoption by the Bank.

4. Training - (Courses to be designed as need arises)

- A. If Budget methodology is expanded, courses will be given for SEA and Bank on the advanced methodologies.
- B. If System reduced to Bank-only - courses will be scheduled for the Bank on the system and methodology.
- C. If Budgets utilized in loan granting process - courses will be offered on procedures to be followed, use and interpretation of Budgets, approaches to advising clients on "best" enterprises/ technologies, and basic farm management analysis tools.
- D. If Credit Policies Manual adopted - training will be given to Bank employees on Policies and Procedures and on use and interpretation of the Manual.

- E. Other training sessions on Project activities may be established for central office employees and other DR institutions depending upon interest and needs.

PROJECT AUTHORIZATION AND REQUEST FOR ALLOTMENT OF FUNDS

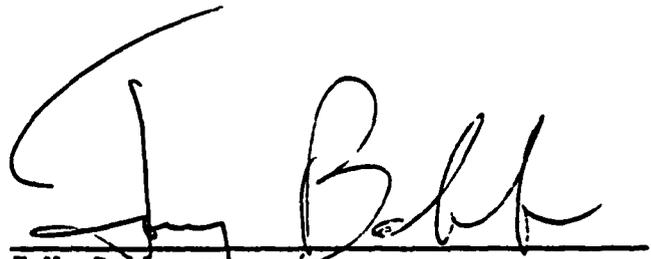
PART II

ENTITY: DS Bureau

PROJECT: Expanded Program of Economic Analysis -- Rural Poor in El Salvador

PROJECT NUMBER: 931-0236.10

I hereby authorize \$40,000 in Grant Funds for a one year extension (from October 1, 1980 to September 30, 1981) for the subject project with the Ohio State University. The total approved funding level for this project is hereby increased from \$136,000 to \$176,000. The extension of the project will allow for the implementation of the activities described in the attached Scope of Work.



E.N. Babb
Deputy Assistant Administrator
for Food and Nutrition
Bureau for Development Support

Date: 8/21/80

Attachments:
DS/AGR Memo to DAA/FN/DSB
Scope of Work
Illustrative Budget

Clearances:

DS/AGR/EPP:REhrich	<u>RJE</u>	Date	<u>8/14</u>
DS/AGR:MMozynski	<u>mm</u>	Date	<u>8/5</u>
DS/AGR/D:DFiester		Date	
DS/PO:ASilver	<u>AS</u>	Date	<u>8/13/80</u>
DS/PO, BChapnick	<u>BCh</u>	Date	<u>8/15/80</u>

AUG 6 1980

ACTION MEMORANDUM FOR THE DEPUTY ASSISTANT ADMINISTRATOR FOR FOOD AND NUTRITION,
BUREAU FOR DEVELOPMENT SUPPORT

THRU: DS/PO, Bernard Chapnick *BC*

FROM: DS/AGR/D, Donald R. Fiester *Donald R. Fiester*

SUBJECT: One Year Extension Requiring \$40,000 for the Rural Poor Survey in
El Salvador Project (931-0236.10; Cooperative Agreement AID/ta-ca-
2) with the Ohio State University (O.S.U.).

Problem: Your authorization is required for a one year extension requiring
\$40,000 for the subject project.

Discussion: A.I.D. initiated this technical assistance project with the
Ohio State University (O.S.U.) in November 1977 to produce micro-level pro-
files of the landless poor and identify related development constraints.
The project was to also analyze those macro or national level linkages that
could prove useful in describing the relative socio-economic position of the
landless poor. In March, 1978 the Development Support Bureau's Office of
Agriculture assumed responsibility for the project's funding and management.
The Bureau has obligated and funded a total of \$136,000 for this project.

The stated goals of the project are to: describe the socio-economic char-
acteristics of the landless rural poor, analyze the off-farm and cottage
industry employment opportunities of the landless and the small farmer or
"landed" poor, and explore the role of women in cottage industry and off-
farm employment. The project has as its purposes the achievement of a
deeper understanding of the socio-economic characteristics and development
constraints of El Salvador's rural poor population and the design and imple-
mentation of program strategies for the benefit of this target group. To
achieve these goals and purposes, the project has constructed the profiles
which have included the following variables: income and employment, on-farm,
off-farm, and cottage; morbidity, health factors, women's occupational roles,
household credit useage, social participation, communication behavior, and
attitudes of the poor toward intervention strategies.

The project has been extended on two occasions to permit the contractor time
to collect and analyze data that was not included in the original scope of
work. The additional analysis concentrated on services, e.g., water,
electricity, housing, and sewers, available to rural poor families below the
poverty line and was included at the request of USAID/El Salvador. The con-
tract's present expiration date is September 30, 1980.

Under the proposed extension the contractor will produce an analysis of the
Salvadoran land tenure situation as impacted by the recently inaugurated
Salvador Agrarian Reform Program. The analysis will consist of two components.

The first will identify laborers, colonists, and others who have been affected by the Program's initial reforms. Beneficiaries will be identified and analyzed on the basis of the following variables: source and type of employment, seasonality, income, migratory and employment patterns, and social services. The second component will attempt to identify potential beneficiaries of the program by producing an analysis of the various land tenure modes prevalent in El Salvador with special emphasis being placed on rental property and its contribution to rural incomes.

The proposed extension with its expanded scope of activities would be a logical continuation of a technical assistance project that will provide for the timely delivery of critically needed analyses to USAID/El Salvador as it attempts to play a supportive role in the formation of equitable policies and programs for that country. This action has been initiated upon the formal request of the Agency's Bureau for Latin America and the Caribbean. Their formal request is attached as are the tentative scope of work and preliminary budget.

Recommendation: That you approve the one year extension requiring funds of \$40,000 by signing the attached PAF.

Clearances:

DS/AGR/EPP:RLEhrich	<u>RL</u>	Date	<u>5/4</u>
DS/AGR:MMozynski	<u>MM</u>	Date	<u>8/5</u>
DS/PO:ASilver	<u>AS</u>	Date	<u>8/13</u>
LAC/DR:WGoodwin	<u>WG</u>	Date	<u>8/15</u>

Attachment: a/s

DS/AGR/EPP:TO'Hare:dar:8/1/80