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UNITED STATES GOVERNMENT

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2-Way Memo

Subject: PROJECT COMPLETION REPORT
COMDESA II - 526-L-025

DATE OF MESSAGE	October 13, 1978
DATE OF REPLY	<i>Recd 10/19/78</i>
INSTRUCTIONS	
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To:
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Office of Development Resources (LAC/DR)
Agency for International Development
Washington, D.C. 20523

5027-101

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USE BRIEF, INFORMAL LANGUAGE

FOLD

USAID/P/CDO herewith transmits five (5) copies of subject Report. Please distribute.

[Signature]
Capital Development Office
USAID Paraguay
c/o American Embassy
Asunción, Paraguay

BEST AVAILABLE COPY

PROJECT COMPLETION REPORT

(In accordance with AIDTO CIRC A-24 dated 1-26-78)

Loan No.: 526-L-025

Borrower: Compañía Paraguaya de Desarrollo
S.A. (COMDESA II)

Date Loan Authorized: June 8, 1973
Amendment No. 1: December 27, 1976

Date Loan Agreement: August 7, 1973

Date Amendment No. 1 to
Loan Agreement: December 30, 1976

Amount of Loan: US\$3,000,000

Terminal Disbursement Date: June 30, 1978

Disbursement Status: US\$2,860,846.77 disbursed; the
remaining amount of \$139,153.23 was
deobligated as of August 7, 1978

I. ORIGIN OF THE PROJECT

On August 28, 1970 A.I.D. signed Loan Agreement No. 526-L-019 for \$2.6 million with the Compañía Paraguaya de Desarrollo S.A. (COMDESA), a private development finance and investment institution.

The purpose of this loan was to assist in the creation and capitalization of a private development bank which was going to make medium and long term loans to and investments in private enterprises in Paraguay. The A.I.D. funding was to encourage and complement the application of local resources to increase Paraguayan output directly as well as making possible more effective use of presently, under or nonutilized local potential.

COMDESA demonstrated that it could carry out its basic purpose of channelling Paraguayan and external resources to the development of agricultural and industrial projects. This loan was fully committed by June 1973.

In the first quarter of CY 1972, anticipating full commitment of the first loan, COMDESA requested the USAID to consider a second loan.

II. PURPOSE OF LOAN

The principal purposes of the Loan and the Project were to:

- (a) consolidate COMDESA as a sound financial institution which was going to be able to absorb additional financing at nonconcessionary terms;
- (b) support the evolution of COMDESA as a development bank;
- (c) mobilize the savings of the Paraguayan private sector in the form of COMDESA shares and debt instruments;
- (d) direct these and other COMDESA resources to generally accepted priority activities in the private sector; and
- (e) assist in meeting the medium and long term development credit needs of a growing economy.

III. SUMMARY OF ACCOMPLISHMENTS

This project provided virtually the first "formal" private source of medium-term financing in Paraguay. Before COMDESA, the major sources of such financing were the National Development Bank, the Bank of Brazil and the Bank of Argentina. The first was almost decapitalized; the other two financed and continue to finance only their countries' exports.

Another project to provide medium-term financing began last year. Under it the Central Bank provides rediscounts for projects benefitting the rural poor. The commercial banks have responded so favorably that the \$2.5 million loan will disburse in one year, instead of three, and COMDESA has become only one of 7 private banks making development loans.

The lesson learned is that, at least in Paraguay, specialized development banks do not seem to be needed to finance development projects. The commercial banks will finance them if they have access to medium-term funds.

IV. COVENANTS

The Loan contained the standard clauses pertaining to General Covenants and Warranties (Article IV). The Borrower complied with all these clauses.

V. REPORTING

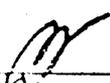
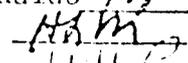
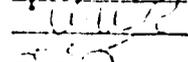
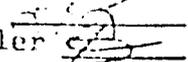
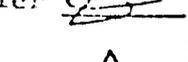
Reporting requirements were not fully met. COMDESA is in the process of fulfilling them.

VI. MONITORING

Considering that disbursement of the loan has terminated, Implementation Letter No. 14 dated June 30, 1978 was issued establishing the requirements to be observed by COMDESA in the future:

- (a) COMDESA shall submit to AID quarterly reports indicating the use of reflow funds. Such funds will specify the name of subprojects financed, the value of subloans made, and the lending terms for such subloans.
- (b) COMDESA shall request AID's approval for the use of reflow funds for the financing of subprojects when the use of such reflows will be for other than the type of activities indicated in the loan agreement as in conformance with the project's purposes or to repay the loan to AID.
- (c) To assure compliance with Section 4.09 of the loan agreement, COMDESA shall maintain updated books and records for AID's audit and revision as AID may require.

USAID/P/CDO:ima
Oct. 3, 1978.

Clearances: PS-II: JCBasualdo 
CDO: HLMiles 
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Approved by: DIR: Abe M. Peña 