

FD-AAA-872-21

UNCLASSIFIED

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DEPARTMENT OF STATE
AGENCY FOR INTERNATIONAL DEVELOPMENT
Washington, D.C. 20523

BOLIVIA

PROJECT PAPER

SHELTER PROGRAM FOR LOW INCOME FAMILIES

Project Number: 511-0310

511-HG-005

UNCLASSIFIED

AGENCY FOR INTERNATIONAL DEVELOPMENT PROJECT PAPER FACESHEET	1. TRANSACTION CODE <div style="border: 1px solid black; display: inline-block; padding: 2px;">A</div> A ADD C CHANGE D DELETE	PP 2. DOCUMENT CODE <div style="border: 1px solid black; display: inline-block; padding: 2px;">3</div>
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3. COUNTRY/ENTITY BOLIVIA	4. DOCUMENT REVISION NUMBER <div style="border: 1px solid black; width: 20px; height: 20px; display: inline-block;"></div>
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5. PROJECT NUMBER (7 digits) <div style="border: 1px solid black; padding: 2px;">511-0510 511-HG-005</div>	6. BUREAU/OFFICE A. SYMBOL. LA B. CODE <div style="border: 1px solid black; width: 20px; height: 20px; display: inline-block;"></div>	7. PROJECT TITLE (Maximum 40 characters) <div style="border: 1px solid black; padding: 2px;">SHELTER PROGRAM FOR LOW INCOME FAMILIES</div>
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8. ESTIMATED FY OF PROJECT COMPLETION fy 8 2	9. ESTIMATED DATE OF OBLIGATION A. INITIAL FY 79 B. QUARTER 3 C. FINAL FY 80 (Enter 1, 2, 3, or 4)
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10. ESTIMATED COSTS (\$000 OR EQUIVALENT \$) -						
A. FUNDING SOURCE	FIRST FY			LIFE OF PROJECT		
	B. FX	C. L/C	D. TOTAL	E. FX	F. L/C	G. TOTAL
AID APPROPRIATED TOTAL						
(GRANT)	(120)	()	(120)	(320)	()	(320)
(LOAN)	()	()	()	()	()	()
OTHER U.S.						
1.						
2. HG	8.000		8.000	8.000		8.000
HOST COUNTRY		1.405	1.405		2.810	2.810
OTHER DONOR(S)						
TOTALS	8,120	1,405	9,525	8,320	2,810	11.130

11. PROPOSED BUDGET APPROPRIATED FUNDS (\$000)									
A. APPROPRIATION	B. PRIMARY PURPOSE CODE	PRIMARY TECH. CODE		E. 1ST FY 79		H. 2ND FY 80		K. 3RD FY 	
		C. GRANT	D. LOAN ^{HG}	F. GRANT	G. LOAN ^{HG}	I. GRANT	J. LOAN	L. GRANT	M. LOAN
(1) ST	720	860	866	120	8.000	200			
(2)									
(3)									
(4)									
TOTALS									

A. APPROPRIATION	N. 4TH FY 		O. 5TH FY 		LIFE OF PROJECT		12. IN-DEPTH EVALUATION SCHEDULED
	D. GRANT	P. LOAN	R. GRANT	S. LOAN	T. GRANT	U. LOAN ^{HG}	
(1) ST					320	8.000	<div style="border: 1px solid black; padding: 5px; display: inline-block;"> MM YY 016 80 </div>
(2)							
(3)							
(4)							
TOTALS							

13. DATA CHANGE INDICATOR. WERE CHANGES MADE IN THE PIO FACESHEET DATA, BLOCKS 12, 13, 14, OR 15 OR IN PRP FACESHEET DATA, BLOCK 12? IF YES, ATTACH CHANGED PIO FACESHEET.

2 1 = NO
 2 = YES

14. ORIGINATING OFFICE CLEARANCE	15. DATE DOCUMENT RECEIVED IN AID/W, OR FOR AID/W DOCUMENTS, DATE OF DISTRIBUTION
SIGNATURE 	<div style="border: 1px solid black; padding: 5px; display: inline-block;"> MM DD YY 01 15 79 </div>
TITLE DIRECTOR, USAID/BOLIVIA	
DATE SIGNED	
<div style="border: 1px solid black; padding: 2px; display: inline-block;"> MM DD YY 11 28 78 </div>	

AGENCY FOR INTERNATIONAL DEVELOPMENT
PROJECT IDENTIFICATION DOCUMENT FACESHEET
 TO BE COMPLETED BY ORIGINATING OFFICE

1. TRANSACTION CODE
 C A = ADD
 C = CHANGE
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PID
 2. DOCUMENT CODE
 1

3. COUNTRY/ENTITY
 BOLIVIA

4. DOCUMENT REVISION NUMBER

5. PROJECT NUMBER (7 DIGITS)
 511-HG-005

6. BUREAU/OFFICE
 A. SYMBOL LA
 B. CODE 3

7. PROJECT TITLE (MAXIMUM 40 CHARACTERS)
 SHELTER PROGRAM FOR LOW INCOME FAMILIES

8. PROPOSED NEXT DOCUMENT
 A. 3 2 = FRP
 3 = PP
 B. DATE 01 79

10. ESTIMATED COSTS
 (\$000 OR EQUIVALENT, \$1 =)

FUNDING SOURCE		BASE
A. AID APPROPRIATED		400
OTHER		
1. U.S.		
2. HG		8,000
C. HOST COUNTRY		2,810
D. OTHER DONOR(S)		
TOTAL		11,210

9. ESTIMATED FY OF AUTHORIZATION/OBLIGATION
 a. INITIAL FY 79
 b. FINAL FY 79

11. PROPOSED BUDGET AID APPROPRIATED FUNDS (\$000)

A. APPROPRIATION	B. PRIMARY PURPOSE CODE	PRIMARY TECH. CODE		E. FIRST FY 79		LIFE OF PROJECT	
		C. GRANT	D. ^{HG} TRK	F. GRANT	G. ^{HG} TRK	H. GRANT	I. ^{HG} TRK
(1)	720	860	866	200	8,000	400	8,000
(2)							
(3)							
(4)							
TOTAL							

12. SECONDARY TECHNICAL CODES (maximum six codes of three positions each)
 864 | 865 | | | | |

13. SPECIAL CONCERNS CODES (MAXIMUM SIX CODES OF FOUR POSITIONS EACH)
 BU | BL | DEL | PART | TECH | TNG

14. SECONDARY PURPOSE CODE
 723

15. PROJECT GOAL (MAXIMUM 240 CHARACTERS)
 Improve the capability of Bolivia's housing institutions to provide shelter for low-income families.

16. PROJECT PURPOSE (MAXIMUM 480 CHARACTERS)
 a. To assist the public sector in Bolivia to improve housing policy formulation and implementation and upgrade its housing delivery system.
 b. To enable the Bolivian Senda System and Ministry of Housing to develop policies and procedures which improve access at lower income urban and rural families to housing financing.

17. PLANNING RESOURCE REQUIREMENTS (staff/funds)

18. ORIGINATING OFFICE CLEARANCE
 Signature: *Frank B. ...*
 Title: DIRECTOR, USAID/BOLIVIA
 Date Signed: 11 28 78

19. DATE DOCUMENT RECEIVED BY AID/W, OR FOR AID/W DOCUMENTS, DATE OF DISTRIBUTION

11

MAR 15 1979

ACTION MEMORANDUM FOR THE ASSISTANT ADMINISTRATOR (LAC)

FROM: LAC/DR, Marshall D. Brown *MSJ*

Problem: To authorize an FY 1979 \$8.0 million HG program and \$320,000 grant for the Bolivia Shelter Program for Low-Income Families.

Discussion: The purpose of this project is to improve the capability of Bolivia's housing institutions to provide shelter for low-income families in secondary cities and rural towns. To achieve that purpose, the project will: (a) assist the public sector to improve housing policy formulation and implementation and to upgrade its housing delivery system, with particular emphasis on secondary cities and low-income families; and (b) enable the private sector savings and loan (S and L) system to develop policies and procedures which will improve access of lower income families to housing finance in rural towns. Approximately 5,000 low-cost housing solutions (home improvement loans and core unit housing) will be financed under the project benefitting families with average annual incomes of less than \$12,000.

The \$8.0 million HG program will be implemented through two \$4.0 million HG loans: one to the Banco de la Vivienda (BANVI) to carry out the project's public sector objectives and one to the Caja Central de Ahorro y Prestamo (CACEN) to carry out the private sector objectives. In addition, a \$320,000 A.I.D. grant will provide: (a) technical assistance in project implementation, environmental planning and housing sector policy formulation and coordination to BANVI and the Ministry of Housing (MUV) (\$300,000); and (b) technical assistance to CACEN (\$20,000). A total of \$2,810,000 will be provided by BANVI, CACEN and MUV as counterpart to the HG program and A.I.D. grant.

As a result of the DAEC review, the following revisions have been made in the PP: (a) the process for preparing detailed plans for BANVI activities (Plan Socio Urbano) has been clarified, particularly inter-institutional coordination and maintenance of housing-related infrastructure; (b) the process for implementing CACEN's rural loan program was detailed; (c) site-specific environmental planning was added to project implementation, including the provision of three person-months of environmental technical assistance; (d) the effective demand analysis was expanded; (e) lending criteria by income group were defined in a project covenant; and (f) analysis of the financial viability of the project was expanded including a mechanism to evaluate the financial impact of the project on BANVI and CACEN over time.

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(2)

The Initial Environmental Examination recommending a negative determination was approved by AA/LAC on February 23, 1979. An Advice of Program Change for the grant portion of the project was submitted to Congress on February 22, 1979; the project may be authorized as of March 8, 1979.

Recommendation: That you sign the attached Guarantee Authorization and Grant Project Authorization and Request for Allotment of Funds.

Attachment: a/s

DEPARTMENT OF STATE
AGENCY FOR INTERNATIONAL DEVELOPMENT
WASHINGTON, D.C. 20523

PROJECT AUTHORIZATION

PROJECT 511-HG-005

PROVIDED FROM: Housing Guaranty Authority

BORROWERS: Banco Nacional de la Vivienda (Banvi)

Caja Central de Ahorro y Prestamo Para la Vivienda (CAJA)

Pursuant to the authority vested in the Assistant Administrator, Bureau for Latin America and the Caribbean, by the Foreign Assistance Act of 1961, as amended (FAA), and the delegations of authority issued thereunder, I hereby authorize the issuance of guaranties pursuant to Section 222 of the FAA of not to exceed four million dollars (\$4,000,000) in face amount to each borrower, assuring against losses of not to exceed one hundred percent of loan investment and interest with respect to loans by eligible U.S. investors (Investor) acceptable to A.I.D. for the financing of certain programs in Bolivia.

This guaranty shall be subject to the following terms and conditions:

1. Terms of Guaranty: The loan(s) shall extend for a period of up to thirty (30) years from the date of disbursement of the first installment of the loans, including a grace period on the repayment of principal not to exceed ten (10) years. The guaranty of the loans shall extend for a period beginning with the first disbursement of the loans and shall continue until such time as the Investor has been paid in full pursuant to the terms of the loans.
2. Interest Rate: The rate of interest payable to the Investors pursuant to the loans shall not exceed the allowable rate of interest prescribed pursuant to Section 223 (f) of the FAA and shall be consistent with rates of interest generally available for similar types of loans made in the long term United States capital markets.

3. Government of Bolivia Guaranty: The Government of Bolivia shall provide for a full faith and credit guaranty indemnifying A.I.D. against all losses arising by virtue of A.I.D.'s guaranty to the Investors or from non-payment of the guaranty fee.
4. Fee: The fee of the United States shall be payable by each borrower in dollars and shall be one-half of one percentum (1/2%) per annum of the outstanding guaranteed amount of the loan plus the fixed amount of \$40,000 to be paid by each borrower as A.I.D. may determine upon disbursement of the Loans.
5. Other Terms and Conditions: The guaranty shall be subject to such other terms and conditions as A.I.D. may deem necessary.

Edward W. Coyle

Abelardo L. Valdez
Assistant Administrator
Bureau for Latin America
and the Caribbean

Mar 15 1979

Date

Clearances:

GC/H:MKitay	<i>MKA</i>	Date	_____
FM/LD:ASmith	<i>AS</i>	Date	<i>1/13/79</i>
DS/H:DMcVoy	<i>DM</i>	Date	<i>1/25/79</i>
GC/LAC:JKessler	<i>JK</i>	Date	<i>2/27</i>
LAC/SA:RBurke	<i>RB</i>	Date	<i>2/22/79</i>
LAC/DR:MBrown	<i>MB</i>	Date	<i>3/12/79</i>

LAC/DR:TJBrown *TJB* Date *1/23/79*

GC/H:JFink:ejt:1/11/79

DEPARTMENT OF STATE
AGENCY FOR INTERNATIONAL DEVELOPMENT
WASHINGTON, D.C. 20523

PROJECT AUTHORIZATION AND REQUEST FOR ALLOTMENT OF FUNDS

Name of Country: Bolivia
Name of Project: Shelter Program for
Low Income Families
Project Number: 511-0510

Pursuant to Part I, Chapter 1, Section 106 of the Foreign Assistance Act of 1961, as amended, I hereby authorize a grant to the Republic of Bolivia (the "Grantee") of not to exceed One Hundred Twenty Thousand United States Dollars (\$120,000) to help in financing certain foreign exchange and local currency costs of goods and services required for the project described in the immediately following sentence. The project consists of long and short term technical assistance in project implementation, environmental planning and housing sector policy formulation and coordination (the "Project"). Such technical assistance will be provided to the Ministry of Urban Affairs and Housing, the Banco de la Vivienda and the Caja Central de Ahorro y Prestamo Para la Vivienda ("CACEN").

I approve the total level of A.I.D. appropriated funding for this Project of not to exceed Three Hundred Twenty Thousand United States Dollars (\$320,000), grant funded, including the funding authorized above, during the period FY 1979 through FY 1980. I approve further increments during that period of grant funding up to \$200,000 subject to the availability of funds in accordance with A.I.D. allotment procedures.

I hereby authorize the initiation of negotiation and execution of the Project Agreement or Project Agreements, as the case may be, by the officer to whom such authority has been delegated in accordance with A.I.D. regulations and Delegations of Authority, subject to

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the following essential terms and covenants and major conditions, together with such other terms and conditions as A.I.D. may deem appropriate:

Source and Origin of Goods and Services

Goods and services, including ocean shipping, financed by A.I.D. under the Project shall have their source and origin in the United States, except as A.I.D. may otherwise agree in writing.

Edward W. Coyle
Assistant Administrator
Bureau for Latin America
and the Caribbean

Mar 15, 1979
Date

Clearances:
GC/LAC, JLKessler JK Date 2/9/79
LAC/SA, RBurke RB Date 2/9/79
LAC/DR, TBrown --- Date 3

LAC/DR, MBrown MB Date 3/12/79

GC/LAC:GMW ML mlf:3/9/79:X29182

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I. RECOMMENDATIONS

The following action is hereby submitted for AID approval:

\$4,000,000 HG for the Banco de la Vivienda of Bolivia (BANVI) in FY 79, to support the combined efforts of the BANVI and the Ministry of Housing to provide low-cost shelter solutions (principally home improvements and core housing units) in Bolivia's urban areas.

\$4,000,000 HG for the Caja Central de Ahorro y Prestamo para la Vivienda (CACEN) of Bolivia in FY 79, to support the financing of low-cost shelter solutions (principally home improvements and core housing units) in rural areas by the Bolivian Savings and Loan System.

\$320,000 DG (\$120,000 for FY 79, \$200,000 for FY 80) for T/A .

II. PROJECT BACKGROUND AND DESCRIPTION

A. Background

Beginning in 1964 with a seed capital loan for the first savings and loan association in the country, AID participation in the effort to help attack the enormous deficit in low-cost shelter in Bolivia (annual demand has been estimated at 40,000 whereas the formal public and private sectors produce less than 10,000 units) has focused on strengthening the private sector's ability to provide financing for moderate cost dwelling units. By 1973 AID had provided a combination of development loans and guarantees totalling \$18 million to the S&L system (the Caja Central de Ahorro y Prestamo para la Vivienda, hereafter CACEN, was set up in 1966), providing the financial base for what is considered one of the most successful programs to bring about mobilization of local resources for housing in Latin America.

In response to the redirection of AID policies toward the lowest income levels of the population, a Shelter Sector Assessment was carried out in 1976. The Assessment concluded that none of the public or private institutions directly responsible for shelter were reaching the target population, and that the S&L system, in spite of its basic success, had not yet reached a size which would develop the volume of production needed to substantially reduce the housing deficit. The Shelter Sector Assessment recommended that:

- the bulk of the units produced by all shelter producing entities should focus on the \$2,000 to \$8,000 price range.
- a more specific national housing policy was needed, in particular to rationalize the activities of the many separate producing and financing organizations.
- the national government should increase its commitment to the sector.
- the S&L system should be the focus of the private sector effort to increase the production of moderate cost housing, and should be encouraged to find ways of financing lower cost shelter solutions as well.
- national policy should consider the needs for shelter solutions outside La Paz in an effort to provide other poles of attraction for the rural to urban migration, and that such consideration should include solutions with costs ranging between \$2,000 and \$3,000.

- special attention should also be given to the environmental problems confronting the nation's urban areas, emphasizing sewage and solid waste collection and treatment.

Review of the proposed, but not formally adopted, housing policy drawn up by the Ministerio de Urbanismo y Vivienda, hereafter MUV, suggested that GOB goals and objectives were generally consonant with AID shelter sector aims, but that political considerations greatly limited the capacity of the MUV leadership to tackle the problems of institutional reorganization head-on. GOB sector goals called for 1) improvement in the quality of existing housing for low-income populations, and 2) a reduction in the quantitative deficit in accordance with the country's savings and financing capabilities. MUV objectives included:

- extension of the coverage of potable water and sewer services;
- an increase in the magnitude of resources channelled into the shelter sector;
- rationalization of the present structure of the housing finance system, moving toward the creation of a central control organism;
- discouragement of luxury type free standing single family dwellings;
- study of the present system of providing housing through Housing Councils with the aim of giving low income populations greater access to housing;
- control of the price mechanism of both sales and rentals;
- incorporation of housing into integrated rural, mining and urban development projects.

This last objective also suggested a relationship of GOB shelter objectives with the major focus of AID policy in Bolivia: rural development programs directed at health care, nutrition, credit and investment. As a result, a PID was drawn-up for presentation in June 78.

The PID proposed a broad frontal attack on the problems of low-cost shelter production, including \$16 million in solutions, \$8 million each for the Banco de la Vivienda (hereafter BANVI), the newest public sector housing finance agency, and the CACEN, the former to finance work on governmentally owned lands, the latter to finance in the private sector. A broad coordinating role was suggested for the MUV, penetration into rural areas was considered for the first time, and a construction industry training process was suggested

which would help small construction enterprises to increase their participation in the low-cost shelter delivery process. The proposal also called for consideration of the use of solar energy in low-cost solutions.

Following FID approval a project feasibility team was assigned to consider the issues raised in the DAEC, and to develop the details required for formal project proposal. DAEC review of the FID had raised concerns regarding 1) the funding levels, and the institutional capacity to absorb such a broad-based program, 2) the impact of the program on the fragmentation of the public sector shelter institutions, 3) the possibilities for increased host-country participation, 4) the choice of implementing institutions, 5) the potential for construction industry participation, 6) the relationship of solution costs to beneficiary incomes, and 7) the problems of maintenance of public utilities and facilities following delivery of the solutions.

The project feasibility study determined that though the FID-suggested purposes were appropriate, i.e. to assist the GOB with national shelter policy development, to strengthen the institutional capacity of the BANVI, to assist the S&L system to extend its reach to low-income families, and to increase the participation of the construction industry in the low-cost shelter delivery process, the scope of the project was too broad to be absorbed by the institutions selected. The study concluded that pilot projects would be a more appropriate method for bringing about improved shelter programs, particularly at a time when the national political situation was causing changes in the senior management of MUV.

The feasibility analysis confirmed that a specific effort designed to coordinate the activities of the MUV and the BANVI would, in the long-term, bring about changes in direction of institutional policy, and would begin the "rationalizing" process. The formal institutional ties between MUV and BANVI were strong and the links were not encumbered by the political traditions which had made working with the housing councils so difficult. The preliminary analysis also suggested that the Direccion General de Promocion Comunal, hereafter DGPC, the principal community development arm of the MUV, might well combine its planning and project design capabilities in low-income urban neighborhoods with the financial capabilities of the BANVI. The analysis suggested that a gradual approach to increased interagency cooperation could lead to a detailed internal review of the productivity of other components of the public sector, such as the housing councils, and to stronger efforts to rationalize the expenditure of resources and formulate specific shelter policy.

The feasibility study also determined that subsequent to the Shelter Sector Assessment, and to some degree in response to AID comment on its own policy redirection, the S&L system had initiated a series of

attempts to penetrate low-income urban and rural markets. Because the system had shown a consistent track record with respect to housing production, if on a small scale relative to national needs, it continued to be the focal point of organized efforts to obtain housing finance. Thus even remote rural communities would present requests for financing to the system. An inaugural project carried out in the Oruro Department offered the S&L system first hand experience with the use of partial solutions (roofing, flooring, doors, windows) and small loans tied to family incomes well below levels customary for the system. Additional experience was gained with the use of non-conventional forms of repayment and guaranty, all the result of dealing with the cyclical rural economy and the land tenure quirks of Bolivia's land reform.

The S&L system had also become involved for the first time in core housing production, gaining important experience in the development of minimal solutions in growing urban areas.

Furthermore, analysis of experience with the construction industry in housing projects suggested that the Shelter Sector Assessment had drawn too negative a conclusion. In fact the industry seemed to have benefitted greatly from a construction boom, and to have been able to adjust to temporary shortages in cement and skilled labor, principally by importing as necessary. The experience of the S&L system with the Los Pinos project, funded with assistance of a \$6 million HG, indicated that construction companies of the 3rd category (only one licensed professional, architect or engineer, required on staff) could easily be combined to handle major projects. Subsequently the S&L system applied this experience to the Cipriano Baraca project in Trinidad, and found that once three contractors had accepted the challenge and agreed to produce core units at costs below \$4,000 each, six more enterprises turned up to request a portion of what was left. The final six contractors included two groups of carpenters, not normally considered contractors. The implication was that for low-cost shelter projects, where the need for complex project design and management is minimal, Bolivia possessed an adequate supply of contractors. In addition Bolivia's lower income families have proved to be competent constructors of their own minimal shelter solutions, and it seemed appropriate to build on this asset in order to bring about a speedy beginning of low-cost shelter improvement programs.

As the size of an endeavor increases, however, the delivery system becomes a critical aspect of the cost and quantity considerations. Both the DGPC and the S&L system are experimenting with industrial techniques for increasing the speed and quantity of production while holding or reducing costs, and it seems preferable at this time to support further analysis of the potential for more active construction industry participation in expanded levels of low-cost shelter production, holding for a future date direct involvement in industry training activities.

B. Support of Low-Cost Shelter Programs in Bolivia by Other International Donors

1. The IBRD has extended to the GOB a loan in the amount of \$17 million for a program of infrastructure, sites and services, low-cost housing and sources of employment in the Metropolitan area of La Paz. The credit signed in January 1978, has a term of 20 years, and the program is to be completed over four years. The IBRD and GOB investment includes \$13.64 million for sites and services projects with core housing to be developed by the Ministry of Housing and CONAVI*, \$3.25 million for basic infrastructure (power, water, access roads, sewer) in La Paz; \$3.05 million for small industry and craft shops; \$610,000 for retail food markets; and \$1.98 million for technical assistance. The technical assistance is to be distributed as follows:

Banco de la Vivienda (BANVI) - About 79 person-months to support the unit that will monitor the World Bank project and strengthen its technical capability in general. Assistance will include expertise in financial analysis, project engineering, economics and urban planning.

The City of La Paz - About 63 person-months in support of the planned program for artisans and small-scale entrepreneurs. The training of local counterparts will be an important component of this technical assistance.

Consejo Nacional de Vivienda (CONAVI) - About 24 person-months related to the mechanization and computerization of administrative and accounting procedures, and to design and construction standards for low cost housing.

Banco Industrial, S. A. (BISA) - About 24 person-months of assistance will be provided in setting up a new credit line for artisans and small scale enterprises.

Health Sector - About 24 person-months of assistance related to the establishment and staffing of health clinics.

The estimated total cost of the project, including land and contingencies, is \$22.63 million. Disbursement was to begin in late 1978 following initial delays in project preparation.

The technical assistance to be provided to BANVI will be used to staff a unit which will have the capability to develop additional low-cost shelter projects of the type supported by IBRD and AID programs.

* CONAVI is the largest housing council and has the broadest constituency base.

2. The IDB has made a \$2.1 million loan to the CACEN to provide emergency shelter to victims of a particularly severe flood in the Trinidad area in 1976. The resulting project, labeled Cipriano Barace, covers the construction of 800 core units with municipal services on high land at the periphery of the metropolitan area.

The units are being delivered (the first two hundred were completed six months after contracting and were delivered in November 78) for less than \$4,000 (mortgage loans run around \$3,350, at 7% interest), and as mentioned earlier, their construction has provided important experience for the S&L system with core housing programs.

3. The Interamerican Savings and Loan Bank (BIAPE) negotiated a \$15 million HG in June 1978 and is now preparing a lending program that will permit actual negotiation of the loan. A charter shareholder of BIAPE, the CACEN has presented a solicitation for a loan of \$3 million to be used for low-cost shelter projects in Bolivia's urban areas. It is expected that this program will get underway by mid-1979.

C. Issues

The issues raised in State 164305 are discussed in detail throughout this paper. Specific references are noted below. Two main issues deserve brief review at this point. The reviews of the Mission, RHUDO and the Project Feasibility Team in June 1978 and in November 1978 suggested that the innovative scope of the project warranted treatment as a pilot project, with funding levels cut well below those considered in the PID. Success of the pilot project could well make an additional HG program in FY 81 appropriate. The effort to combine the work of two GOB agencies (DGPC and BANVI) for the first time seemed in particular to call for a more cautious start.

The second point relates to the construction industry. The recent visits confirm that the industry has made sizeable improvements in recent years in its capacity to handle large construction loads. Participation by the industry in low-cost shelter programs, however, remains limited to only the highest priced of these projects (\$4,000 and above), and the role of the industry or its potential contribution to minimal shelter programs is not clear. For this reason the emphasis on industry-related programs included in the PID has been redirected at an analysis of what steps can be taken to increase participation by the industry in the low-cost shelter delivery process. Furthermore, administration of a comprehensive industry oriented program would have complicated the project excessively at this time, given the challenge presented by the project's ambitious institutional objectives.

Specific Issue References - State Cable N° 164305

Paragraph 2. Funding Level. In addition to comments above, see Sections II, Project Description, II C. Institutional Analysis and III D. Economic and Financial Analysis, for discussion of the choice of funding level and impact of funding on implementing institutions.

Paragraph 3. Policy Framework. See Sections II A. and III C. for discussions of strategy, and expectations with respect to policy impact.

Paragraph 4. Implementation Agencies. Same as reference for Para. 3 above.

Paragraph 5. Construction Sector. In addition to comments above, see State 180542 (17 July 1978) and La Paz N° 5894 (26 July 1978), attached as appendices, and Sections II A. and III B.

Paragraph 6. Benefit Incidence of Proposed Housing Solutions. See Sections III A., B. and D.

Paragraph 7. Maintenance. Infrastructure maintenance in proposed projects is responsibility of Municipal Government. Community organizations developed by the Plan Socio Urbano process will monitor the provision of services (see Section III B-2).

D. Project Description

The project proposes the use of two \$4,000,000 housing guarantees, one for the BANVI, one for the CACEN, to help establish the institutional relationships and to expand on-going programs designed to improve the shelter conditions of low income families in both urban and rural areas.

The BANVI program has been designed to establish a close working relationship between this young public and private sector partnership in housing finance, here-to-fore involved only in the financing of middle income housing, and the DGPC, here-to-fore actively involved in developing low-cost shelter improvement projects for target population families in some of the nation's principal urban areas but lacking a consistent source of financing. The DGPC will extend the reach of the Plan Socio Urbano project development process to areas not previously covered. Programs in at least three different urban areas (Trinidad, Sucre and Cochabamba) will be financed by the BANVI.

The CACEN program has been designed to follow up small scale S&L system initiatives in rural areas by providing financial support for home improvement loans and core unit financing in areas outside the seven most populous departmental capitals. The CACEN program will reaffirm USAID Bolivia policy to support private sector activities whenever possible.

Both HG projects have been designed to establish new institutional relationships and new forms of assistance for low-cost shelter

efforts. As a result they may be considered pilot projects which, following successful completion, will leave a greatly improved institutional base for expanded public and private sector programs dealing with the shelter problems of low income families.

A development grant of \$320,000. will support the HG programs, principally by providing the target institutions with assistance in project preparation. The newness of the institutional relationships being established in the public sector, and the expansion of S&L system programs in rural areas make necessary the additional support which could be provided by a full time project coordinator. The Development Grant will also be used to assist the MUV with its analysis of the potential role of the housing councils and the formal construction industry in the expansion of low-cost shelter programs.

1. The BANVI HG Program

The BANVI will finance approximately 2,090 individual shelter solutions developed in Plan Socio Urbano programs and ranging in cost from \$1,000 to \$5,000. Eighteen hundred solutions will be partial solutions consisting of home improvements such as better roofing, floors and walls, additions, or site and sanitary improvements. These solutions will average \$2,000 in cost and will represent 75% of the Plan Socio Urbano output. The remaining 25% will be completed core units on new sites in most cases, representing efforts to reduce overcrowding, or relieve the problems of unacceptable site conditions (flood plains, slide areas). These solutions, expected to number over 290, will have an average cost of \$4,500 each. The loans will be collateralized by mortgages, or in the case of the small loans, by personal guarantees following current BANVI practise.

TABLE 1

EXPECTED PHYSICAL OUTPUTS OF THE BANVI/DGPC PROJECTS

Type of Solution	Average Solution Cost	Number of Solutions	Project Investment
Plan Socio-Urbano:			
Home Improvement Loans	\$2,000	1800	\$3,600,000
Completed Core Units	4,500	290	1,333,000
TOTAL INVESTMENT		2090	4,933,000
of which:			
HG Loan			4,000,000
BANVI Investment (20% of HG Loan)			800,000
Homebuyer downpayment - 10%			133,000
			<u>\$4,933,000</u>

The investment will finance solutions in three Plan Socio Urbano areas, Trinidad, Sucre and Cochabamba. Although the Plan Socio Urbano process is by its very nature flexible within the context of a particular area and community, it consists of a series of general steps and procedures that will be followed. They include the following: 1) Social, economic, and physical surveys will be carried out under the direction of the DGPC to identify the concentrations of people addressed by the HG program, the conditions and needs of those people, and the potential for program participation (see page 28); 2) A dialogue is established by the DGPC staff with local officials and the target group addressing such aspects as the plan regulador (i.e. the physical development plan and regulations), land for possible lease by the municipality to low income families, arrangements to clarify land tenure, existing and programmed municipal services and facilities, environmental protection measures to cover potential problems such as soil erosion, flooding, water pollution, and the like; 3) Once neighborhood organizations can be formed into entities such as cooperatives or some other legal formulation, a specific neighborhood housing program will be developed by the DGPC staff in coordination with the local municipal government, the representative neighborhood organizations, national government agencies operating locally, regional development corporations, and BANVI. Specific neighborhood housing programs will contain a list of families desiring home improvement loans or core units, monthly capacity to pay for the loan, improvements to be made for each solution, estimated cost of improvement, and individual applications for a loan; 4) Formal agreements between local officials and service authorities and neighborhood groups which constitute the essence of the Plan Socio Urbano will be executed to ensure that neighborhood housing programs will be supported by the extension of necessary services such as water lines and the maintenance of those services. The agreements will reflect a delineation of what specific neighborhoods will offer to do such as self-help labor and the specific actions the public service and utilities organizations will take. DGPC with the municipalities will monitor the agreements.

The conditions precedent section on page 54 indicates that Project Delivery Plans will be prepared, the Plan Socio Urbano staff will be augmented and formal Plan Socio Urbano agreements will be signed as conditions precedent to the disbursement of HG funds. It is anticipated also that a final, detailed socio urbano plan will be completed for at least one of the project sites and preliminary plans will be prepared for the other two prior to the initial disbursement.

Because community organizations are vital to the success of Plan Socio Urbano projects, coordinating beneficiary participation, selecting from the possible range of solutions, handling land distribution and coordinating debt amortization as necessary by the DGPC, a manual will be produced outlining specifically the roles and responsibilities of such organizations in the Plan Socio Urbano process as adjusted by the inclusion of BANVI. This manual will provide for formal agreements between the BANVI, the local Plan Socio Urbano office and local officials and the community participants which identify the task each is to perform. The technical assistance program will include \$40,000 for up to four months of assistance for application by the DGPC to the creation of durable community organizations capable of directing the continuation of Plan Socio Urbano efforts in a specific locale, and of identifying appropriate improvement programs for the area's urban poor.

Direct participation in the Plan Socio Urbano process will place the BANVI in the forefront of public sector institutions financing low-cost shelter. BANVI will lend directly to the individual beneficiaries of the Plan Socio Urbano programs adding, as a consequence, to its clientele and, therefore, involving greater numbers of low-income families with formal sector savings and loan programs. BANVI loans will carry an interest rate of approximately 15%, depending on the cost of EG funds, and will have terms of between 5 and 20 years depending on the size of the home improvement and the family's loan servicing capacity. (The smallest home improvement loans will have the shortest maturities. The core unit loans are expected to be full 20 year mortgages.)

It is expected that over a period of five years following project inception BANVI will develop a loan portfolio which is 75% directed at loans for low-income families. The combination of the EG program and the IERD technical assistance should facilitate this important change in direction and provide the GOB for the first time with an institution whose primary objective and capability is the financing of shelter solutions for Bolivia's low income families.

The project's technical assistance package will include \$30,000 for up to three man months of expert assistance for use by the BANVI in adjusting its internal controls, auditing and portfolio management to the requirements of small loan programs, and the characteristics of low-income borrowers. Collections procedures, savings mobilization, cash flow projection and Plan Socio Urbano advance financing requirements will be among the topics considered by this technical assistance program.

The BANVI HG projects will be directed at families with incomes of between \$75 and \$250 per month, with 75% of the loans reserved for families with incomes below \$200, as shown in Figure 1. Thus the program is designed for families whose monthly incomes do not exceed the 35th income percentile. Those lending criteria have been incorporated as a covenant for the project on page 55.

2. The CACEN HG Program

The loan to the S and L system will permit financing of approximately 2,870 solutions distributed as follows:

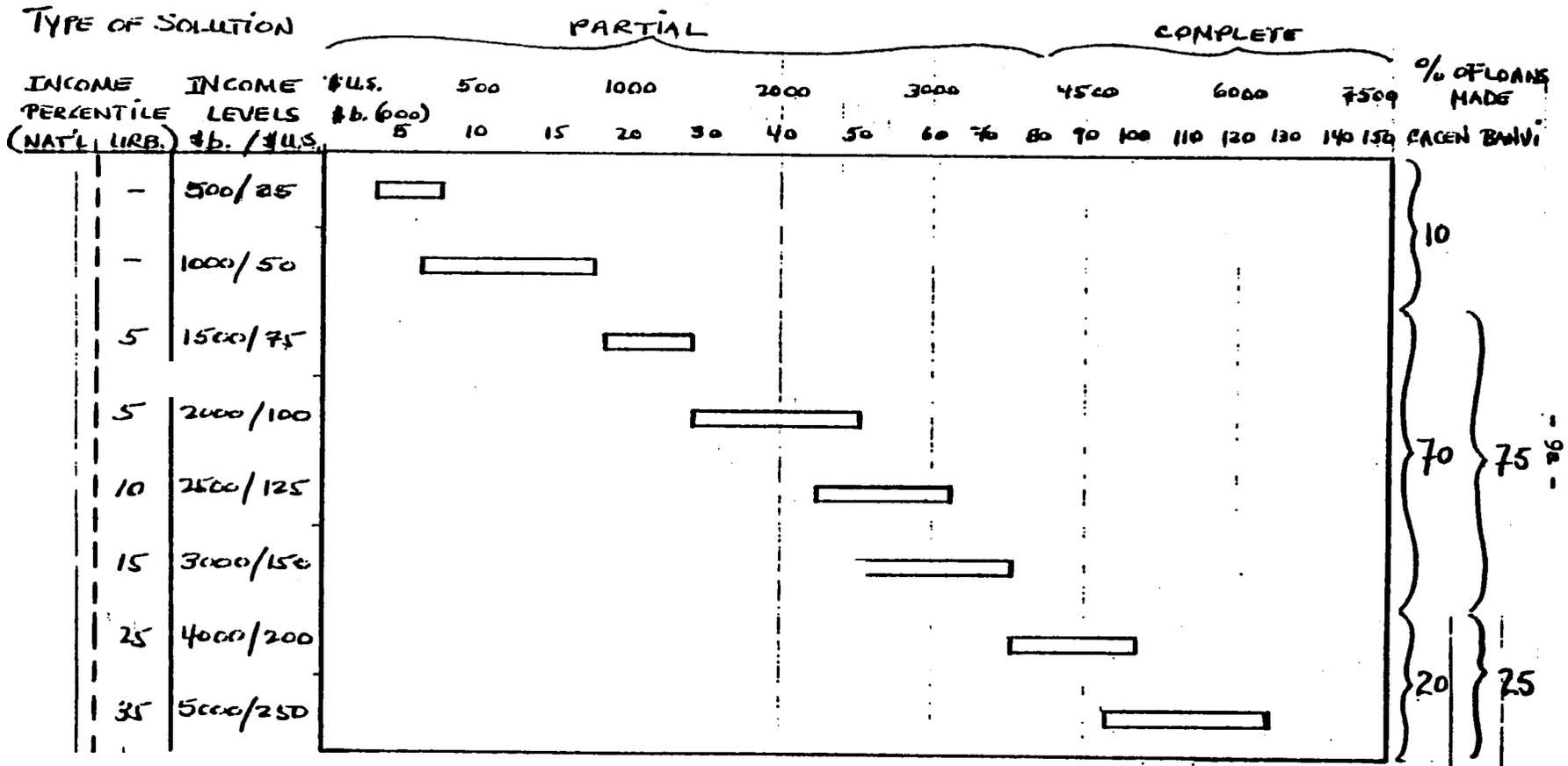
- 960 solutions directed at remote rural area communities where minimal home improvements are required. These loans will average \$500 in cost and will permit the purchase of materials for such improvements as roofing, flooring, doors and windows. These loans are directed at individual families with stated incomes ranging from \$25 to \$50 per month and will carry personal guarantees which vary according to the possibilities offered by the community in which the financing is being done. By expanding the scale of current Savings and Loan system projects of this type, the HG project will produce a more accurate understanding of how such financing can be packaged, and will permit the lending institutions to apply the experience nationwide and to consider how such loans may be refinanced in national and international secondary markets.

- 1,680 solutions directed at partial solutions (home improvements) in rural market towns where incomes do not permit the purchase of completed units, and where housing finance has been unavailable heretofore. These solutions will average \$2,000 in cost and will cover the improvements mentioned above on a larger scale as well as home expansion, addition of sanitary facilities, wall reinforcing and painting. These loans will generally be of the mortgage type, but once again the type of guaranty may vary depending on the distance from the nearest GOB title registration office. The families reached by this range of financing will have incomes running from \$75 to \$150 per month.

230 solutions directed at families in major rural area population centers such as Trinidad, Caranavi (Yungas), Palmasola (Sta. Cruz), whose incomes permit financing of a complete core unit with costs up to \$5,000.

Figure 1 reflects the expected make-up and distribution of the S and L system loans, confirming that ten percent of the investment will be directed at families with monthly incomes below \$75, seventy percent for families with monthly incomes ranging, approximately, between \$75 and \$150, and twenty percent for families with incomes of \$200 to \$250 per month.

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FIGURE 1

The Development Grant will be applied to assisting the CACEN and the S and L system to reach remote rural areas, promoting the new credit facilities made available by the EG program. Up to two man months (\$20,000) of expert assistance will be applied to the problems of promotion and market development in remote areas. The TA funds may also be applied to assessment of the way in which the resulting loans can be packaged so that they may be refinanced in national and international secondary markets. Because many of these loans will be supported by personal guarantees, for instance, they may require additional collateralization before they can be sold to institutions such as BIAPE.

3. HG Program Coordination

~~\$200,000 of the Development Grant of \$320,000 will be directed at providing the MUV and CACEN the services of a HG program coordinator for two years. The coordinator will assist the formalization of inter-agency working relationships and procedures between the BANVI and DGPC so that specific projects are identified and agency staffs are prepared to begin the financing process. With regard to CACEN the coordinator will work with CACEN to establish the creation of its rural loan department and provide assistance to the department in identifying markets for rural loans and supporting specific efforts of the associations participating in the HG program. The coordinator will assist the institutions involved in the HG program in establishing lending procedures and criteria appropriate to the implementation of each institution's program and will recommend the scheduling of technical assistance contemplated in the project design. The coordinator will work with the appropriate personnel in the institutions carrying out the HG programs with the counterparts of the coordinator identified by MUV, BANVI and AID once the program is officially adopted and initiated.~~

4. Technical Assistance for the MUV

Though recent changes in GOB leadership have complicated the preparation of a technical assistance program designed to help the MUV prepare a formally adopted national housing policy, it has been possible to identify areas of particular importance and concern to MUV officials. It is proposed that, as with the HG projects, a pilot project approach be used to permit the MUV to establish a closer working relationship with the Mission and the MUCO, and to make effective use of T/A funds as the next long-range development planning process is begun (for the 1981-85 period).

The T/A funds will be directed at three aspects of the shelter sector where further analysis will serve to strengthen the Ministry's understanding of the conditions and problems, and will lead to development of specific policy.

Three documents are expected to result from the T/A funding:

- 1) An Analysis of Housing Council Resources, with emphasis on their use and the potential for use in support of low-cost shelter projects.

ii) An Analysis of the Potential for More Active Involvement of the Formal Construction Industry in the production of low-cost shelter solutions, to include consideration of incentives, materials supply and construction technology as aspects which could offer clues to a policy which would promote higher levels of production.

iii) A Manual of Low-Cost Shelter Construction, which will not only serve community organizations and Plan Socio Urbano areas as a guide, but will also help the MUV focus on the most effective techniques for providing minimal shelter solutions and developing norms which are realistic and appropriate throughout the nation.

5. Summary of Project Inputs and Outputs

Total project funding of \$11,130,000 will be provided from the following sources:

Table 3
INPUTS

- AID

HG Loan to BANVI	\$ 4,000,000
HG Loan to CACEN	4,000,000
DS for Technical Assistance	320,000
Sub-total:	<u>\$ 8,320,000</u>

- Host Country

BANVI Investment (20% of HG)	\$ 800,000
CACEN Investment "	800,000
Purchaser Downpayments (10%)	240,000
Plan Socio Urbano local staff (add'l)	100,000
S&I System staff (add'l)	120,000
Land donations by local government	400,000
Publn. of low-cost Housing Manual	50,000
EX-PATRS funds	300,000
Sub-total:	<u>\$ 2,810,000</u>

Total Financial Inputs \$11,130,000

The physical outputs of the project are expected to be as follows:

TABLE 4
PHYSICAL OUTPUTS

<u>Type of Solution</u>	<u>Average Solution Cost</u>	<u>Number of Solutions</u>	<u>Total Project Investment</u>
Plan Socio Urbano:			
Home Improvement Loans	\$2,000	1800	\$3,600,000
Completed Core Units	4,500	<u>290+</u>	<u>1,333,000</u>
Sub-Total:		2090	\$4,933,000
Rural Area:			
Home Improvements, small			
" " commun.	\$ 500	960	\$ 480,000
" " market towns	2,000	1680	3,360,000
Completed Core Units	4,500	<u>230+</u>	<u>1,067,000</u>
Sub-Total:		2870	\$4,907,000
Total Investment:			<u>\$9,840,000</u>

The outputs resulting from the Development Grant will be the following:

TABLE 5
DEVELOPMENT GRANT APPLICATION

<u>Benefitting Institution</u>	<u>Type of Assistance</u>	<u>Amount</u>
MUV - BANVI CAJA	<u>24 man months</u> of project coordination, this input to consist of one person located in Bolivia full-time for the purpose of assisting the DGPC, BANVI and CACEN to draw up specific project plans, to project funds flows so that disbursement schedules may be met, to assist with the process of establishing formal interagency agreements, to evaluate the progress of the overall program, to identify specific short-term technical assistance needs and to assist MUV in the preparation of the analysis of shelter sector policy priorities.	\$200,000

(Cont'd...)

Table 5 (Cont'd..)

<u>Benefitting Institution</u>	<u>Type of Assistance</u>	<u>Amount</u>
MOV -	<u>3 man months</u> of expertise to consist of one or more persons familiar with the process of community organization and self-help programming, to assist in the Plan Socio Urbano effort to create long term, productive community organizations, and to identify the potential for integrated improvement programs for the urban poor.	\$ 30,000
	<u>3 man months</u> of assistance in the analysis of available and potential resources for housing finance and best use of those resources to increase low-cost shelter production. Also, analysis of the potential for involvement of the formal sector construction industry in the low-cost shelter delivery process. This T/A to be divided between housing finance and construction technology experts, each preparing a report providing the MOV with specific policy recommendations.	30,000
CACEN/ MOV	<u>Environment- 3 man months of assistance</u> in the analysis of environmental conditions in areas where home improvement loans are to be made and core units are to be built. Environmental guidelines will be recommended for incorporation into the procedures and criteria of the HG loan program, and if feasible, into the <u>Manual of Low-Cost Shelter Construction</u> .	\$ 30,000
BANVI	<u>1 man months</u> of expertise in financial administration and controls to assist BANVI with the operating adjustments required of expanded activity outside its present sphere of operations. The focus will be on internal controls, auditing, portfolio management, etc.	\$ 10,000

VII. Vehicles

Benefitting
Institution

Type of Assistance

Amount

CACEN - 2 man months of assistance in two areas; \$ 20,000

Techniques which facilitate the develop-
ment of remote, rural area markets in-
cluding communications, marketing, forms of
collateral, etc. and,

techniques for the consolidation of small
loans into instruments which may be re-
financed in national and international
secondary markets.

CACEN TOTAL: \$ 20,000

Total DG funding : \$320,000

III. PROJECT SPECIFIC ANALYSIS

A. Social Analysis: Description of the Target Population and Its Housing Need

1. General Situation

The target group of the proposed project will have family incomes which range from a low of about \$b.500 (\$25) per month to levels close to \$b.5,000 (\$250). Table 6 reflects the location of these levels within the estimated income distributions for the nation as a whole and the nation's urban areas. While the U. N. study footnoted as a source of Table 6 data felt that communities of 2,000 and higher population should be considered urban, AID strategy in Bolivia calls for a broader definition of the rural, to include all but the seven largest departmental capitals.

It is expected that the CACEN component of the proposed project will generate many of its solutions in communities whose population is above 2,000. A small percentage, however, will be generated by farm areas of less dense population. In a 1977 study undertaken to help establish the base for USAID/Bolivia Agricultural Sector Loan II ^{1/}, the mean annual net household income recorded in the "non-densely populated areas" of pieces of Chuquisaca, Potosi and Tarija Departments was \$b.6,547 (\$327), or just over \$25 per month. This figure climbed markedly the closer the household was to market, reaching \$b.12,362 (\$618), or \$51 for households within an hour of a market.

Data gathered to support loans in the S&L system's pilot project in Huancarani, some 3½ hours by car south of Oruro, indicates monthly family incomes ranging between \$b.400 and \$b. 1,000 (\$20-50).

1/ Riordan, James T., An Assessment of the Target Region for USAID/Bolivia's Agricultural Sector Loan II, LA/DR/Report. July 1977.

TABLE 6

ESTIMATED DISTRIBUTION OF MONTHLY FAMILY INCOME URBAN AREAS

<u>% of families</u>	<u>Maximum income at each level as related to mean</u>	<u>Urban Income</u>		<u>National Income</u>	
		<u>US\$</u>	<u>\$b.</u>	<u>US\$</u>	<u>\$b.</u>
5	0.188	100	2,000	50	1,000
10	0.250	133	2,660	65	1,300
20	0.346	184	3,680	90	1,800
30	0.438	233	4,660	114	2,280
40	0.543	288	5,760	141	2,820
50	0.665	353	7,060	173	3,460
<hr/>					
60	0.815	433	8,660	212	4,240
70	1.015	539	10,780	264	5,280
80	1.346	715	14,300	350	7,000
90	2.045	1,086	21,720	532	10,640

- Sources: a) Urban Median Calculation Formula:
Clifton, C. Wade; Christian, James W.; Hammam, Sonia.
Preliminary Report on a Methodology for Indirect Estimation of Median Family Income, prepared for the Office of Housing, Agency for International Development August 1978.
- b) Base National Accounts Data - 1976:
Central Bank of Bolivia, National Statistics No.1
Agency for International Development, Development Assistance Strategy, Bolivia, March 1978.
- c) Distribution Around Median
Informe sobre Politica de los Asentamientos Humanos en Bolivia. Report prepared jointly by U.N. Foundation for Housing and Human Settlements and the Ministry of Housing, Bolivia, La Paz. March 1977.
- d) Actualization of 1976 Median to 1978 Levels
Application of 16% p.a. increase composed of approximately 12% inflation rate and 4% GNP Growth Rate. Results compare closely with rough estimates of 1977 and 1978 data prepared, but not yet released, by IMF officials.

Recently published information regarding salaries and wages paid by COMIBOL, the nation's largest employer, ("Estructura salarial en la Corporacion Minera de Bolivia," Presencia, 22 November 1978) reveals that the 1514 workers employed by its subsidiary, Catavi, at the lowest skill levels average \$b.1,487 (\$74) per month, while the more skilled miners average \$b.3,697 (\$185) per month.

Income information gathering at the neighborhood level is greatly complicated in Bolivia (as elsewhere) by a concern that the data will be used for tax information. Projects which may be designed for one level of income as determined by preliminary surveys, may take on another character during construction as the real disposable wealth of the target population is bared. Such was the case of the Lazareto project in La Paz, originally very carefully designed to offer 30m² one-room units which could be expanded over time, and now, two years later, a lower middle class community of two storey structures. It seems certain, however, that the majority of the HG project's families will have incomes ranging between \$b.1,000 and \$b.3,500 (\$50 and \$175).

The joint MUV-UN study footnoted in Table 6 calculated that annual housing demand (excluding any reduction of an existing deficit) was about 40,000 units, split almost equally between urban and rural areas. To meet this demand formally, through production of minimal units, would require 6% of GNP or in another light, 40% of internal capital formation, both unlikely targets. The formal housing production institutions are producing no more than 5,000 units per year.

Over-crowding is a major problem throughout the nation (60% of the units in Trinidad have three or more persons per room, in Sucre the estimate is 40%), and the absence of basic infrastructure compounds the problem. Forty percent of the nation's urban housing stock has no water service, 63% no sewer. The figures for rural areas are 70% for both services.

2. Plan Socio Urbano Areas

The target population for Plan Socio Urbano projects is by definition one whose housing conditions are below standard. In order to understand best the order of priorities, however, the DGPC and its local offices do extensive surveys of the social, cultural and economic characteristics of the potential target group. In a recently completed analysis of Trinidad, capital of the Beni Department, a sparsely populated agrarian region, surveys noted that while unemployment was low (3%) the population was very young (57% below the age of 19) and immigration accounted for 27% of the total. Though the population was generally optimistic about the future, the pressures of growth were reflected in the housing conditions. The analysis estimated that 80% of the city's units were in need of extensive repair or shoring up to make them durable and healthful and to reduce the density.

The survey determined that 64% of the households were two generational only, and that more than 50% of those surveyed preferred it that way. Single family, owner-proprietor dwellings predominated. Over 50% of the units were built in the traditional manner, mud and cane walls, tile or palm roofs. The city of Trinidad has no sewer system and 78% of the dwelling units had no formal type of sanitary facility. Over 40% of the families bred animals on the lot. Fifty percent got water from a public spigot.

The analysis estimated a need for about 3,000 new units per year in the Trinidad area. The principal dissatisfaction with present living conditions was size. When asked how they would purchase a new home (those who did not already own one) the replies were as follows:

TABLE 7

Method of Financing a New Home

Personal Savings	32.52%
Join a Housing Cooperative	25.15
Obtain a Loan (any non-govt. source)	20.86
Through CONAVI or another GOB plan	2.45
Via Neighborhood Council Intervention	0.61
Other	1.23
Undecided	9.82
No way	2.45
No response	4.91
	<u>100.00%</u>

This data suggests strongly that the public sector institutions have not left the impression that they are important sources of housing. The proposed project should begin to change that situation.

An analysis completed in 1977 of selected low income neighborhoods in the La Paz metropolitan area provides a more specific look at the population migrating to and joining the urban population of the altiplano. The following selections cover the low and high income ranges studied.

Villa Alto Santiago de Munaypata

Location: On the slopes at the west end of the city, sandwiched between the Autopista and the old road to the airport.

Demographic Structure: Migrated from the altiplano; moved in as renters and caretakers; in 1960 the area was subdivided. A young population, with an average of five members per family.

Employment: There exists a marked level of unemployment among the female population, with a high degree of underemployment as well in occupations such as laundress, sweepers, produce sellers, etc. Unemployment also high among males who generally look for piece work in the markets. Construction workers are also temporary employees. Those with regular employment usually are in construction industry.

Income: \$b.600-1,500 per month.

Savings: Very little; some residents are members of a health cooperative; credit in local stores runs to \$b.100 per month.

Family: Though extended families exist there seems to be evidence that the younger families prefer the nuclear family approach. The majority of heads of household are legally married. Divorce rates are low.

Education: Illiteracy high among adults, but younger children of both sexes attend school.

Migration: With few exceptions the population migrated from the altiplano of the La Paz Department, moving first to lower Munaypata then up to the current location. Groups still return to native villages for festivals, and in some cases for commerce.

Social Organizations: The Junta Vecinal is the only one; some ties (church and health cooperative) are maintained in lower Munaypata.

Language: Aymara and Spanish; with some recognition of the cultural values of the Aymara reflected in efforts to keep children speaking it.

Religion: Predominantly Roman Catholic; some Protestants; both sects have social programs running in Munaypata Bajo; some village religious rites continue in use, less so among Protestants.

Clothing: Manufactured in the city; women use skirts and "mantas"; those who make traditional clothing do so for the tourist market.

Status: Education and income; housing is not a mark of status due to the lingering uncertainty regarding permanent residence; leadership, age and contacts are also the substance of status.

Health Care: Home remedies, traditional "curers"; some have joined health care cooperatives. Cost is principal reason modern medicine not used. Local hospital, a few blocks away, has good reputation for care and costs and is used in serious cases.

Public Information: Low number of TV and radio sets comparatively speaking; unreliable electric service also an obstacle; preference with radio for national music and aymara language programs; newspapers bought to assist children with school work; neighborhood council has P.A. system which is used during community action work.

Villa 8 de Diciembre

Location: On south side of central city area above Sopocachi.

Demographic Structure: Three types of immigrants, those from the altiplano, those from other urban areas of the country and those moving from within La Paz. Many absentee landlords, hence renters. Renters and rural migrants not well blended into the communal activity of the area.

Employment: In spite of some underemployment (street vendors, etc.) most of area have jobs with commercial enterprises, government agencies, the banks, etc., including some with decision-making positions. Area has a number of small local businesses, restaurants, stores and brick factories where the newest immigrants get their first jobs.

Income: \$b.1,500-2,000, per month. A number of renters pay minimal rates, or are labeled "caretakers". Savings capability is low and credit at local stores is little and liquidated at month's end.

Family: The more settled families are nuclear, the more recent rural arrivals are extended. Younger families tend to be nuclear.

Formal Education: Lower among newer more rural residents, and adult women. All children attend schools in neighboring communities. Community wants to build its own school. Majority of the community can read and write.

Social Organizations: Active Junta Vecinal coordinates community projects on Sundays, to include opening new streets, placing poles for electricity, and planning street paving, and the above-mentioned school. Also plan to install their own waste water system. Have sports organizations. Will join in "minka" type activities in the event of land slides, etc. Have built retaining walls in the Cotahuma riverbed.

Language: Spanish, though some recent immigrants have difficulty and prefer ayмара.

Religion: Roman Catholic predominantly, but Salvation Army outpost leads a Protestant group as well.

Clothing: All manufactured in the city, or bought in black market.

Status: Income and Education; leadership positions within community (Junta Vecinal); no residue of social standing from previous place of residence.

Health Care: Mostly home medicines, with situation complicated by the absence of any health care facilities in the area. Economics still a factor in the type of care sought.

Public Information: Easy access to periodicals; used by males for the most part; more TV sets than in other areas studied; women enjoy soap operas; radios used to hear native language programs as well as social information (exchange of goods, purchase and sale of household products).

3. Rural Areas

The conditions described above will apply to many of the communities to be covered by the rural area program of the CACEN. Only in the 30% or so of the solutions going to the most remote rural communities and to small rural area market towns will there be variations. (It should also be noted that incomes at the \$b.3,000 level begin to imply certain middle class characteristics such as job permanence, skills, and perhaps modest commercial success which awaken interest in considerably higher housing standards such as two rooms, sanitary facilities, paint and plaster, etc.)

One of the principal features of rural existence for low-income families is the use of slow periods in the crop cycle to add to farm income by temporary work in the mines or in the construction industry in the cities and nearby towns. The Riordan study cited earlier notes that on a regional basis farm income is only 44% of net household income. In the region studied January, February and March, and June, July and August are identified by local farmers as periods of reduced farm work.

In the case of the CACEN pilot project of home completion loans for Huancarani, south of Oruro, the guaranty for the 45 loans made by the local S&L association has been given by a resident of this remote and rural town who also owns some real estate in Oruro, clearly the product of many off-season work visits to the city.

In closing the section, it should be emphasized that the majority of housing units produced each year in Bolivia are constructed by the owners themselves. Whether the product be of mud, cane and palm as in the eastern parts of the country, or of adobe and thatch as on the alti-plano, the output can serve as the base for a unit of lasting sanitary condition. The concept of the "home improvement" loan is well founded in the experience of the Bolivian poor of resolving their own shelter needs. The improvement of the basic module requires much less capital and institutional input than the completed unit and fits right into the cultural habits of the target population.

B. Technical Analysis

1. Construction Costs

The project has been designed to produce three basic types of solutions: home improvements, serviced lots and construction materials, and core units. Though the exact number of each type of solution will not be known until specific Plan Socio Urbano projects have been drawn up, it is likely that home improvement solutions will predominate. The low cost of the solutions and the wide spread throughout the nation, particularly of the S&L system, incline the project in this direction.

- Home Improvements

Improvement of the existing stock of housing in Bolivia is a viable option for low-cost shelter programs because the country's low income population is very capable of building the shell of the unit in such a way that modest improvements bring about great advances in durability and healthfulness. With an investment of approximately \$b.15,000 (\$750) the Bolivian can finish off an expendable core unit that only lacks running water and a water borne sanitary system to qualify as a fully standard dwelling. An investment of \$b.30,000 (\$1,500) brings the shell unit up to this standard. The following list of prices provides an idea of what can be included in a home improvement loan package:

Roof of corrugated tin - 60 m ² (roofs will be larger in the "Oriente", smaller in the Altiplano)	\$b.6,000	US\$300
Brick floor	1,200	60
Door	900	45
Window	650	32.50
Latrine	3,800	190
Completed room with roof	11,200	560

- Completed Core Units

Approximately twenty percent of the S&L system solutions and twenty-five percent of the Plan Socio Urbano solutions will be completed core units ranging in cost from \$4,000 to \$5,000. Lower costs might be possible if lot size and the core module are kept to a minimum, or if in rural communities a great deal of self-help is used. The numbers permitted by this pilot project will not be great enough (250-290 units) to permit

economies of scale, however, the technical assistance to the MUV to analyze construction industry participation and technological innovation should provide a basis for the design of larger projects in the future.

Table 8 indicates a price index of construction materials at eight cities in Bolivia. Significant are the locational variations of such prices, a result of both the availability or scarcity of the natural resource and the demand volume at that locality. An inefficient transportation network interconnecting production centers and local markets is a determinant factor on construction materials price fluctuations.

The laxity of materials quality controls, except for those industrially processed (cement, zinc corrugation), made difficult determination of an absolute price relationship. Therefore the table can only be used as a general index of price fluctuations. The current national rate of inflation in construction, according to architects and engineers closely related to the construction industry, has been estimated between 10% and 12% per annum.

This inflation rate is more conservative than those of other studies in La Paz which show a rate of inflation of 16% for 1976 for domestic products and 14% for subsequent years. Since the cost of some domestic materials has dropped somewhat in other areas of the country it appears that the rate of 12% would be appropriate in tabulating future costs particularly since 90% of the cost of materials for Low-Cost Housing Production relates to products of domestic manufacture.

Notwithstanding locational cost differences, a national cost per square meter was estimated for new construction based on a random sample of various housing models (see Table 9) throughout representative cities. Such a cost is the average of the resulting unit costs. Therefore the average national construction cost has been tabulated as US\$102.00 per square meter.

TABLE 8
PRICE INDEX AS OF DEC. 31, 1977

MATERIAL	Unit	P R I C E S								IN		Sb.
		La Paz	Oruro	Potosí	Cochabamba	Sucre	Tarifa	Sta. Cruz	Trinidad			
ARENA/SAND	M3	100.--	90.--	85.--	80.--	90.--	100.--	80.--	150.--			
CEMENTO/CEMENT	Kg	1.30	1.30	1.25	1.30	1.12	1.60	1.46	2.--			
LADRILLO/BRICK	Pza	2.49	1.15	1.50	1.31	1.87	1.50	1.78	2.29			
MADERA DE CONSTR/ STRUCTURAL WOOD	P2	5.20	5.53	6.--	6.17	7.--	7.--	6.--	8.--			
MADERA MARA/ MILLWORK	P2	12.--	9.50	14.--	10.50	10.--	9.--	10.--	10.--			
CALAMINA/ZINC	M2	70.83	60.--	70.--	60.--	75.--	67.--	75.--	75.50			
TEJA/ROOF TILE	Pza	3.60	5.50	5.--	4.75	6.--	5.50	4.75	3.50			
MACHIMBRE/WD. FLOOR	P2	12.50	9.50	11.56	14.17	12.--	12.--	13.--	N/A			
MOSAICO/MOSAIC	M2	225.--	220.--	90.--	300.--	220.--	190.--	220.--	600.--			
YESO/GYPSUM	Kg	0.64	0.50	0.36	0.38	0.44	0.60	0.60	5.60			
CAL/LIME	Kg	0.70	0.50	0.80	0.40	0.56	0.78	0.70	14.--			
PIEDRA /STONE	M3	100.--	100.--	80.--	80.--	90.--	65.--	N/A	N/A			
AZULEJO/CERAMIC TILE	Pza	4.60	4.50	5.04	4.50	4.--	4.30	3.94	5.--			

A national average of the above individual components will result in the following:

Pre-Investment Costs	-	1.7%
Land Acquisition "	-	11.9%
Infrastructure "	-	10.7%
Adm., Superv., Conting. Costs	-	2.6%
Dwelling Unit "	-	73.1%

This only applies to the construction of new housing units. It is not applicable to site and services projects.

With all of the above information and by using a minimal Altiplano-sized unit, one can tabulate the total cost per unit as follows:

Area 25.44 m² at \$102.00/m² = \$2,595

Pre-Investment Costs	-	\$ 60.35
Land Acquisition "	-	\$422.44
Infrastructure "	-	\$379.84
Adm., Superv., Contingency	-	\$ 92.30
Dwelling Unit	-	\$ 2595.00
Total cost per D.U.		US \$3549.93

It must be noted that design configurations of the development will alter the above cost relationship since it only applies to conventional infrastructure systems.

Self-help or mutual help programs can also reduce investment costs, however they have not been tabulated on a national scale since they are not applicable in all locations..

2. Project Feasibility

The Plan Socio Urbano process follows a series of steps which, when a general plan for an area exists as is the case in Trinidad and Santa Cruz, take a project from the data gathering stage through a public orientation and planning stage to the implementation effort. The local office of the Plan Socio Urbano is responsible for the entire process but relies extensively on assistance from local government, neighborhood councils and the appropriate national and regional authorities. The program recommended for the latrine installation project in Trinidad provides a specific example of how this works.

Description of Events

Phase 1 - Data gathering and socio economic study

- a) identification of target area
- b) enumeration of families needing latrines
- c) determination of family income
- d) selection of method of payment

- Phase 2 - Working with Target Population
 - a) education through existing social welfare programs
 - b) educational meetings
 - c) use of films
 - d) technical orientation regarding project
- Phase 3 - Project Implementation
 - a) via self-help
 - b) via community work (mutual assistance)

Of a project staff of eight, four will be provided by the local office of the Ministry of Public Health. In addition the municipality and the neighborhood councils will participate.

The DGPC has already conducted detailed socio-economic analyses of the target populations and related housing conditions in Sucre, Trinidad and La Paz and has recently been working with municipal officials in Cochabamba to initiate the Plan Socio Urbano effort there. The DGPC has also completed a frank reappraisal of Plan Socio Urbano administration in Santa Cruz, where, as mentioned earlier, the most active current program is underway. The analytical base has been established, and the experience gained in Santa Cruz and Trinidad (where the S&L system's Cipriano Barace project falls within the scope of the Plan Socio Urbano and thereby adds to the stock of recent experience) provides the foundation for project development in other centers such as Sucre and Cochabamba.

The experience of the Savings and Loan system in Huancarani, south of Oruro, confirms the results of a study funded by the Mutual La Paz, of small towns in the department of La Paz, with special focus on the town of Huatajata near Lake Titicaca. This study indicates that families spend roughly \$750 over time developing their housing units, the majority of which are the product of local materials and mutual help construction.

The S&L system uses the technical staff of the CACEN to design innovative projects for which the local associations may not have sufficient personnel or experience. In the case of small rural projects, community organizations will provide the key to project implementation, drawing on a technician employed by the sponsoring association. In the case of large projects, additional technical personnel will be hired locally to supervise the daily activities of the project, with the local association and the CACEN staff providing overall supervision and control of the technical and financial aspects. The CACEN staff is usually responsible for preparation of bidding and contract documents as well as the fine tuning of the offers which may be received. The two La Paz associations are now building technical staffs sufficient to design their own projects and contract directly for any additional assistance.

3. Potential Projects

The Plan Socio Urbano office in Trinidad has proposed the funding of a program to provide latrines for 200 households in an area just to the west of the center of the city. The unit cost is estimated at \$b.3,000

(\$150). The project follows up on the study mentioned earlier in which only 20% of the sample of the entire city population reported having a bathroom or septic tank arrangement available. In Cochabamba the DGPC has begun to develop adequate coordination with the municipal government so that a Plan Socio Urbano can be formalized and home improvement projects begun in the Lajma subdivision where over 1200 sites were parcelled out in recent years without sufficient assistance for those families moving in.

The home improvement or home completion program has become the S&L system's growth area in the last year. The member associations in Trinidad, (with a branch in Guayeramerin), Riberalta and Cobija have developed a \$1,200,000 portfolio of this type of loan in that period. Other projects of this type already identified by the system include:

<u>Location</u>	<u>Dept.</u>	<u># of units</u>	<u>avg. loan</u> US\$	<u>total</u> US\$
Machacamarca	La Paz	40	\$2,000	\$ 80,000
San Buenaventura	"	100	2,000	200,000
Islas Verdes	"	87	1,500	130,500
Huatajata	"	100	1,500	150,000
Valle Alto	Cochabamba	50	1,600	80,000
Villamonte	"	<u>100</u>	1,600	<u>160,000</u>
TOTAL		<u>477</u>		<u>\$800,500</u>

In addition, the association in Oruro has received requests from other communities like Huancarani, and is beginning to establish an idea of the potential demand for these small but significant loans.

The Mutual La Paz has completed an analysis of the costs and needs of rural communities in those areas of the Department of the same name outside the capital city's metropolitan area.

A preliminary effort may be the Islas Verdes project to be carried out in the town of Yanamuyo on the Altiplano. The project has a rather unique circular design and calls for construction of 87 minimal units of 2 rooms. The loans will be for \$1,500 to cover the purchase of materials with all the labor provided by the community. In this particularly rural project, lots will be large (1250 sq. meters) to include room for animals. The project will use community sanitary facilities, but each unit will have a water connection.

Though the S&L system has not identified any other serviced-lot-plus-materials projects than the Islas Verdes one (an effort being combined with a Hansa Company agricultural development project) the Plan Socio Urbano process may use this technique as part of the effort to provide new shelter solutions on the periphery of Sucre and Trinidad. The Trinidad case is motivated by flooding problems as well as high per unit density in the central city. A proposal to purchase 500,000 m² of

land across the street from the S&L system's Cipriano Barace project (funded by IBD flood emergency funds and covered by the city's Plan Socio Urbano) has been presented by the Plan Socio Urbano Office. The cost has been estimated at \$b.2,500,000 (\$125,000). The area would service about 1,200 families and would use a combination of self-help, materials financing and technical assistance to construct the dwelling units.

S&L system members have also identified over \$2,000,000 in projects for which core units are the appropriate solution. As the projects, now only in the most preliminary stages of planning, are refined, the impact of self-help will be assessed, as will the size specifications most appropriate for the zone in which the units are being constructed (e.g. the units in Trinidad's Cipriano Barace project begin with 26.3 m² of enclosed living space, but have 103.5 m² covered by the roof to provide shade). Projects identified to this point by the S&L system include:

<u>Location</u>	<u>Dept.</u>	<u>#.of units</u>	<u>avg. cost</u>	<u>total</u>
Bermejo	Tarija	150	US\$4,000	US\$600,000
Guabira	Sta. Cruz	40	4,600	184,000
Palmasola	Sta. Cruz	200	4,000	800,000
Eucalyptus	Oruro	100	4,000	400,000
Caranavi	La Paz	50	5,000	250,000
		540		US\$2,234,000.

4. A Manual of Low-Cost Shelter Construction

An important contribution by the MUV to the project will be a manual of low-cost shelter construction directed at the target population and the local institutions which work most closely with that group (local Plan Socio Urbano Office, Municipal Government, Junta Vecinal). The manual would provide information about construction using traditional techniques and appropriate improvements which would help low-income families realize a better quality unit for the same investment as usual. It would be an attempt to extend the formal effort of GOB institutions to produce standard low-cost shelter by directing the initiative of the target population not included in formal programs.

The objectives of the Manual (titled, perhaps, Cartilla de la Vivienda de Bajo Costo) would be as follow:

- a- To promote the utilization of the existing potential for self-help programs.

- b- To assist in the organization of communities where mutual-help is a viable solution to the reduction of construction costs.
- c- To provide technical guidance and improve the quality of construction in areas where professional involvement is very remote or sporadic.
- d- To stimulate the upgrading of vernacular housing construction.
- e- To improve sanitary and hygienic standards

Such a "cartilla" should not be formulated as a sophisticated technical document, but rather as a flexible A-B-C of construction and sanitation improvements. The same should be prepared according to the cultural or educational level of the potential users, illustrating as much as possible in graphic terms construction techniques suggested. However the "cartilla" must recognize the intrinsic ability and ingenuity of the users and their long history in providing by themselves vernacular solutions which maximize the application of indigenous materials and minimize techniques which require tools or equipment not affordable by them. (A good example of such a document has been prepared by the Junta Nacional de la Vivienda of Ecuador).

The "cartilla" should indicate clearly the various stages of construction and should cover the following elements:

- General Notions
 - Principles of Enumeration
 - Dimensioning Principles
 - Dimensioning Tools
- Tools
 - Most Common Tools
 - Use of the square
 - Use of the plumb
 - Use of the Level
 - Application of Tools
- The Housing Unit
 - Functional Elements of the Unit
 - Basic Prototypes According to Regional and Site Variances

- Growth Stages of the Basic Unit
- Orientation According to Regional Variances.

- Construction Materials
 - Foundation Materials
 - Wall Materials
 - Roof Structure
 - Roofing
 - Fenestration and Doors
 - Accesories

- Construction Techniques
 - Soils
 - Foundation
 - Pilasters and Columns
 - Beams and Lintels
 - Walls and Partitions
 - Floors
 - Roofing
 - Doors
 - Windows
 - Parking
 - Miscellaneous

- Sanitary Installations
 - Latrines
 - Septic Tanks
 - Water Wells
 - Plumbing Connections

- Furnishing

- Remodeling and Home Improvement Techniques.

The DGPC has already begun work on such a document. Various other Latin American countries have produced comparable manuals, among them Mexico and Colombia in addition to Ecuador. These could serve as examples. Distribution should be wide-spread, perhaps to Junta Vecinales, in order to reach the target population at the appropriate time. The document could also serve as a standard for home improvement lending projects, providing home-owner and lender with a common ground for discussion.

C. Institutional Analysis

1. Ministry of Urban Development and Housing (MUV)

The Ministry, established in 1970, was given the predominant role in the development of national housing policy and production activities by the Housing Law of September 1973. The various articles of the Law repeatedly charged the Ministry with policy making, resource coordination, and technological research in an effort to give single source direction to the housing effort. The Ministry is to choose which sections of the population are to be the focus of the public sector effort, and to coordinate public and private efforts to assure efficient allocation of housing resources. The Ministry is to direct both urban and rural planning processes so that the provision of infrastructure is coordinated with housing production. The ministry is to have final approval over all measures adopted by governmental entities which deal with housing matters.

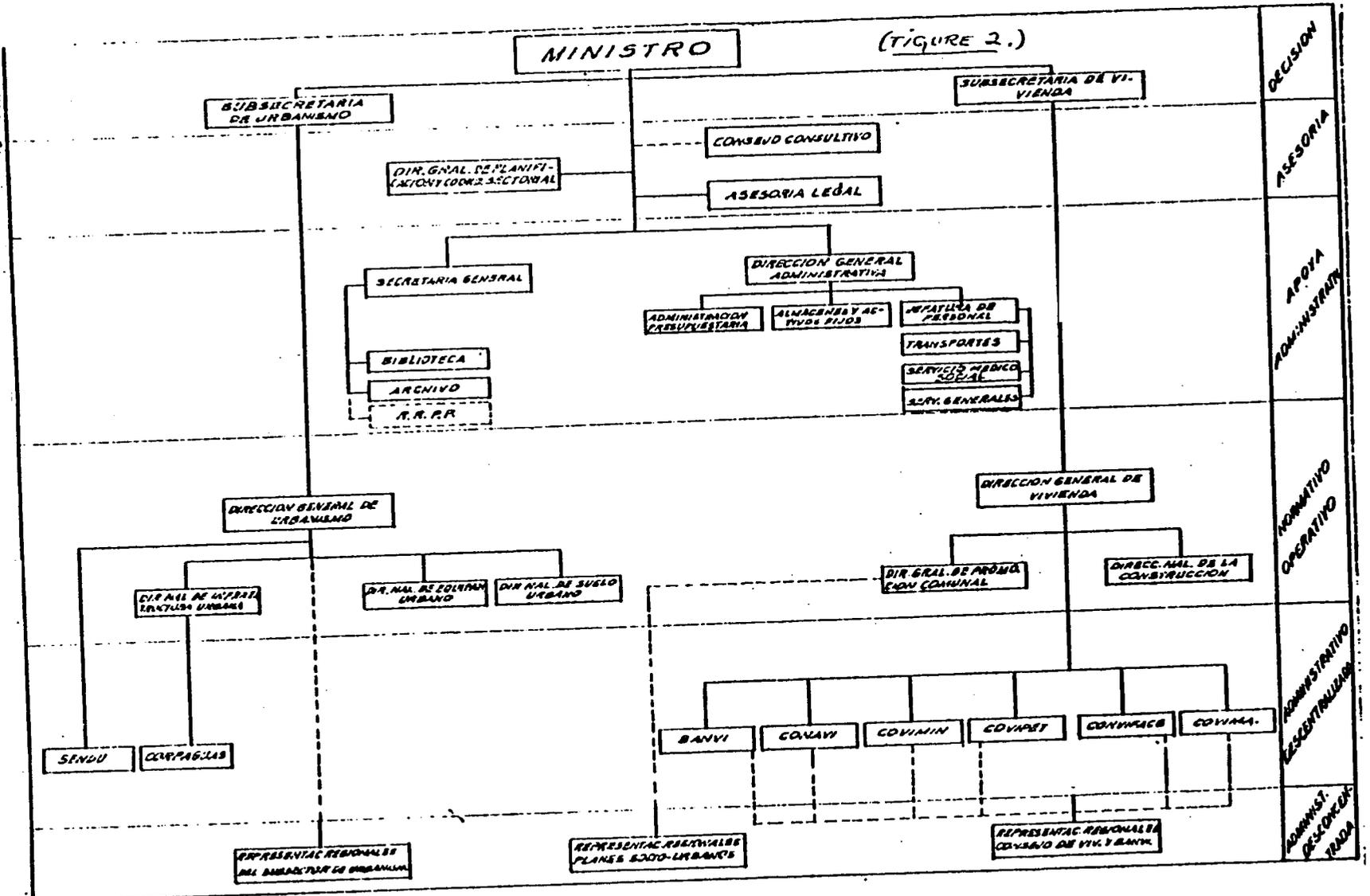
The Ministry has been given the task of developing rural nuclei in an effort to better focus the provision of basic infrastructure as well as housing. In urban areas the Ministry is charged with the approval of Socio-Economic development plans (Plan Socio Urbano) and Master Plans (Plan Regulador) prepared by municipal governments. The Ministry is to provide technical direction and assistance to those agencies carrying out these plans.

The Housing Law placed the Ministry in the central position in order to bring about rational government control over the housing and urban development process. The Ministry was to be assisted in this process by the creation of a financial entity capable of allocating the resources to be consumed in the housing production process. Establishment of the Banco de la Vivienda (BANVI) resulted. This plan has run into difficulties as noted below.

The Ministry is organized in two major divisions: Vivienda (Housing) and Urbanismo (Urban Development). (See organigram, Figure 2.) Urbanismo handles government building design and construction land title registry and the allocation of funds for infrastructure in urban areas. MUV is by no means the primary source of urban infrastructure funding as the Regional Development Corporations often provide the bulk of the funding.

The Housing Division has three principal sections covering Housing, Community Development and Technology. The latter section is charged with review of construction industry standards and pricing. The DGFC has as one of its principal functions the Organization of the Plan Socio Urbano process. These low-income community development plans represent the principal link between the National Government and Municipal Government activities in the area of housing development for low income populations.

(FIGURE 2.)



DECISION

ASESORIA

APOYA ADMINISTRATIVO

NORMATIVO OPERATIVO

ADMINISTRATIVO DESCENTRALIZADO

ADMINISTR. DESCENTRALIZADA

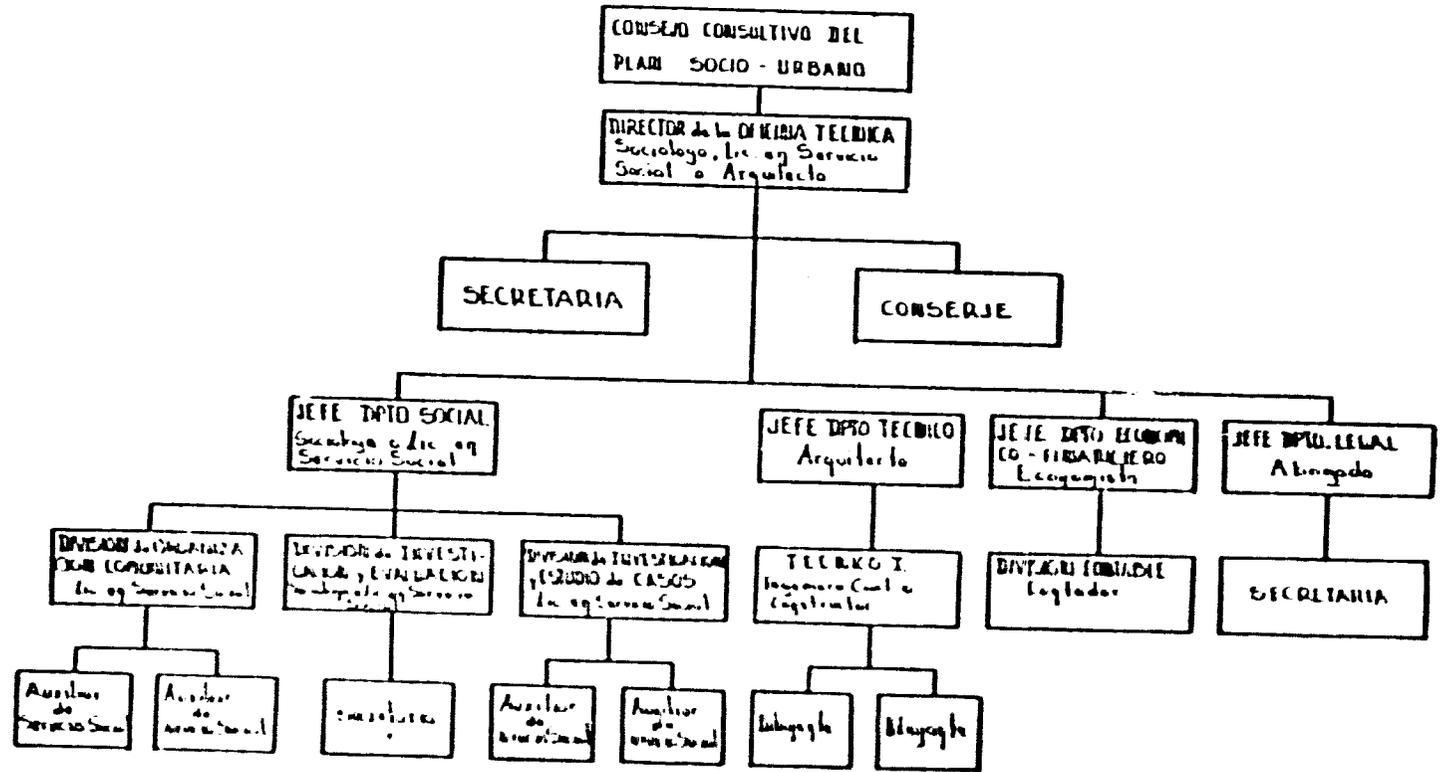
One of MUV's principal objectives is development within the Ministry of the capability to make effective national housing plans, so that the national government involvement in housing development may be clearly formulated and better fed into major planning decisions. A specific felt need of MUV is for more information regarding alternative means for bringing about a rationalization of the Government's resources for housing programs.

An institutional aim of MUV is development of stronger ties between the DGPC, the BANVI and the Municipal Governments throughout the country. This linkage between National and Municipal Governments would include adequate participation by local populations through the existing Juntas Vecinales, the principal neighborhood organizations used by mayors to tap local opinion and develop local support.

The Plan Socio-Urbano has been taken to its most advanced degree in Santa Cruz, where in 1970, 243 hectares were sub-divided into 6,000 lots for subsequent distribution. The land could only be distributed to cooperatives and these were formed to include potential land owners in a particular area. Originally, the land was distributed to the cooperatives and then sold to the individual land owner. The cooperatives would then handle the financing and amortization of purchase loans. In 1972, an effort was made to build a standard unit and 300 houses were constructed of either one, two or three bedrooms, with prices beginning as low as 47,000 pesos, or roughly US\$2,300, using PADES funds supplied by an AID development loan. The Plan Socio Urbano program has since been extended to include another 1,800 lots. In the early stages of the program's development, many original owners sold off their lots, gaining healthy profits in the process. In a recent census of 4,200 lots, only 666 were found to have no construction. Many of the properties, however, have only the most minimal form of shelter.

The land to be used in the Plan Socio-Urbano was donated by the Municipality, although in Santa Cruz the form of donation is a long-term lease due to the existing Municipal laws. The municipality, however, is seeking legal means for transferring title to the land. The office which carries out the organization of Plan Socio-Urbano activities is funded by MUV but works very closely with both the Municipal Government and the local development corporation which, in the case of Santa Cruz, is a very important source of funding for Municipal projects. The staff of the office in Santa Cruz has seven professionals, and will be restructured as shown in Figure 3, as it has been unable to provide adequate site-by-site assistance for the roughly 8,000 family constituency (40,000 people) and will have to be expanded if it is to provide appropriate housing related services to this clientele. There are socio-urbano plans underway or in effect in Cochabamba, in Trinidad, in Tarija and in Sucre. However, none have reached the degree of activity to be found in Santa Cruz. The plan in Trinidad was drawn up to encompass the Cipriano Barace project developed by the savings and loan system.

FIGURE 3
ORGANIGRAMA PROPUESTO PARA LA RE-ESTRUCTURACION DE LA OFICINA TECNICA
DEL PLAN SOCIO URBANO DE SANTA CRUZ



The central office of the DGPC has a staff of 14 professionals including architects, sociologists, an economist, a civil engineer and related junior associates. The DGPC's personnel budget is about US\$8,000 monthly. The budget of the Santa Cruz office, covered by the municipality, is about US\$2,500 and that of Trinidad, now with two professionals, is US\$1,550. Projections for units in Sucre, Tarija, Cochabamba and increase in Trinidad run between US\$2,500 to \$3,500 monthly for offices with five professionals.

The DGPC relies on the full support of the local government where a Plan Socio Urbano is to be processed. Full studies of problem areas and possible solutions have been carried out for all the nation's major urban areas. The DGPC feels that Trinidad, Sucre and Cochabamba will be the next areas of project focus, and is now working to formalize the inter-agency agreements that are required.

2. Banco de la Vivienda (BANVI)

The establishment of the financial entity as included in the Housing Law proved considerably more controversial than provisions affecting the coordination of policy and execution discussed above. The authorities and the financial resources granted the Banco de la Vivienda (BANVI) were ambitious and in fact were interpreted by the nation's existing financial institutions as a serious infringement on their territories, in terms of both operations and resources.

The objectives of the Bank as established by the Housing Law are themselves not controversial. Article 45 of the Law, however, contains highly controversial provisions:

"Article 45 - All economic resources administered or managed by the nation's public, private or mixed capital institutions which are related to housing will be deposited in the Construction and Housing Bank".

In addition to mortgage and shelter construction authorities, BANVI has authorized to invest in construction materials industries. With the help of a Corporación Andina de Fomento loan, BANVI has made modest loans to materials producers. The controversy over deposits, however, has slowed growth of BANVI's capital base.

BANVI estimates that its capital will reach \$3,000,000 by year end 1978. The 1977 year-end figures show that the Government had put up 80% and the private sector 20% of the Bank's capital. At present most of the private sector contribution is coming from savers who are given an option of buying shares and receiving, when the Bank begins to earn, dividends on those shares as opposed to merely opening savings accounts. Working capital is estimated at around \$6.5 million, loans at about \$5.6 million.

In order to eliminate the losses the Bank had been accumulating since its beginning in 1974, an extremely conservative loan policy was adopted in late 1976 limiting lending to 10-year terms and this in exceptional cases, with most loans being for extremely short term, e.g. 30 months.

While BANVI is to play a role as financial agent in the \$17 million World Bank program, it essentially will have no major participation in the implementation of the program. The IHRD has however, included \$500,000 in the overall package for use by the BANVI to develop a technical department which will not only permit the BANVI to monitor the progress of the World Bank project but also to develop future low-cost housing projects.

The Government of Bolivia will put up \$100,000 towards this technical department development effort. The result is expected to be the hiring of a 7-man team of architects, sociologists and economists who will design low-cost housing projects for financing by the BANVI throughout the nation. In addition to the World Bank technical assistance effort, the United Nations Housing and Human Settlements Foundation has drawn up a \$300,000 loan program which will also be directed towards the design of low-cost shelter projects. The World Bank technical assistance program documents have been signed and funds are now available.

The U.N. project has not yet been signed. Once the U.N. project becomes operational, \$70,000 of the loan will be used by BANVI to finance 3 professional staff positions for 2 years.

BANVI will use the remaining funds for loans to finance studies or project design. The BANVI has begun to staff this low-cost projects department; is actively searching for additional candidates, and will be partially staffed by year-end.

The BANVI has recently opened agencies in Santa Cruz and Cochabamba. These represent the first steps outside of the La Paz Metropolitan area.

BANVI has begun a modest home improvement loan program covering roof, window, floor and sanitary unit modifications to existing units constructed purely through self-help efforts. At present, BANVI's home improvement loan process has been reasonably well-developed. Architects attached to the Credit Department review plans for improvements and progress of the improvements. Loans for 30,000 pesos or less (\$1,500) are handled through a process of personal guarantees, often with counter-signature. Loans for more than that amount are set up as mortgage loans. These loans generally carry a 30-month term. They also carry a 15% interest rate with a 3% fee paid up front. The loans have not yet been made for low-income families and they have been heavily focused in the La Paz Metropolitan area.

The program, nevertheless, has enjoyed great success in a short time and the BANVI is convinced that it is the kind of program they can rapidly expand to cover different income groups and different areas of the country.

3. Summary: Public Sector Institutions

The major efforts to improve the structural base of GOB Shelter institutions date from the early 1970's, and as a result are still very much in the early stages of application. The MUV has not yet reached full strength within the policy making mechanisms of the government, and the BANVI is only just beginning to reflect the impact of careful and constructive management.

Housing can be a very sensitive political subject in Bolivia, and as is the case elsewhere, many segments of society may take an active role in shelter policy determination. As the principal GOB shelter agencies mature, a more coordinated expression of policy can be expected.

MUV staff appears to need better analysis of the problems facing the sector at this time, so that more forceful presentations of policy can be made during the development of national plans. The political sensitivity of shelter issues, and the changing political mood of the nation, suggest that highly focused, technical analyses will serve MUV staff best at this time. An improved information base will help the MUV argue for an increased GOB commitment to the sector.

The DGPC has one of the longest track records of the MUV divisions, having operated actively since the early days of the MUV, carrying on work begun before the Ministry's creation. The DGPC's work has also covered shelter problems in a variety of geographical areas. MUV funding limitations, and the absence of shelter finance programs directed at low income families, have constrained recent DGPC operations to analysis. The office does have, however, the staffing base necessary to expand the scope of work to include preparation of projects which actually produce improved solutions. Expansion of local staffs, which must result from negotiations between national and local levels of government, must occur if actual production is to once again figure in DGPC activities. The Plan Socio Urbano work in Trinidad is a clear indication that the DGPC is prepared to proceed in this direction.

Recuperation of the funds made available to the DGPC via the PADES program of the early 1970's (a \$300,000 allocation to MUV from AID Program Loan 511-L-045) continue to be monitored by DGPC staff, and with proper authority from the MUV and the Ministry of Finance, can be used to support DGPC staff expansion at the local level. Reinforcement of DGPC/Plan Socio Urbano activities throughout the nation will also increase the visibility of the MUV as an action agency in the politically important shelter sector.

Improvement in Banvi management has served to strengthen the Bank's ability to consider expansion of its scope of work. Though established initially with a very broad development mandate, the confusion brought about by the combined public and private charter and the poor initial performance prevented this institution from establishing itself as an important element in the GOB attack on Bolivian shelter problems. The BANVI must still prove that it adheres to a policy of assisting the nation's low income urban families, but management interest in supporting Plan Socio Urbano programs indicate that such proof will be forthcoming soon.

BANVI has not been able to finance rapid expansion outside the La Paz Metropolitan Area in its early years of operation, but using the Banco del Estado as a conduit, it has made individual home loans in most areas of the country. New branches in Santa Cruz and Cochabamba indicate the beginning of an expansion program, and management is committed to continuing in this direction. Combination with Plan Socio Urbano activities offers an excellent opportunity for development of a clientele adequate to support further creation of branches in important urban areas, and a consequent increase in the Bank's visibility.

4. The Savings and Loan System

The only institutional source of long-term financing of housing ownership in the private sector is the Bolivian Savings and Loan System. The system is made up of the Caja Central de Ahorro y Prestamo, established in 1966, which serves as the system's central bank and regulatory agency, and eleven member savings and loan associations with histories dating back to 1964. The system's assets totaled almost \$51 million by mid-year 1978. About \$23 million in mortgage loans were outstanding by the same date.

The eleven member associations are located in the nation's major urban areas and departmental capitals and appear to be in an excellent position to benefit from the land development process going on nationwide. The S&L member associations are often the first to receive information about an intended land sale, and as the principal lenders of financial resources for construction, may be able to direct the development process.

With the exception of the two member associations in La Paz, the member institutions are, because of their small size, directed by the part-time efforts of professionals who receive low salaries and rely on a small cadre of technical personnel to carry out day-to-day operations. The permanent staff of the Caja Central remain critical to the operations of the various member associations because they are the most highly trained in S&L management and housing related matters.

The S&L system has shown a steady growth in all the major indicators of activity during its history. Its ability to achieve greater impact by expanding the numbers of units sponsored is limited principally by its inability to attract a larger percentage of the annual savings inflow.

The charter of the S&L system and its regulatory agency, the Caja Central, is unusual in the scope of authority and the independence given the institution. The Caja has the sole responsibility for development of the body of regulations which governs the working of the system. The Caja can also intervene directly in the operations of a member association and can apply sanctions such as fines, removal of officers and suspension of activities if an association does not comply with the Caja set regulations.

It is also interesting that the S&L system is specifically exempted from the coverage of the Housing Law, their authorities being sufficiently explained in their chartering law (Decree N° 07585 of April 20, 1966). The system is required, however, to coordinate with the Ministry of Urban Development and Housing as necessary, and consults with the Central Bank before taking any major financial action.

Spurred by the AID change in its Housing Guaranty policy, the savings and loan system has in recent years begun the development of low-cost shelter programs directed at particularly low-income families. The most dramatic example of this effort may be seen in the town of Huancarani in the department of Oruro.

The System has also recently developed a home improvement loan program which has successfully reached families within the AID target population, particularly in some of the smaller towns of the country. The most dramatic success has been in Cobija, the capital of the Pando department located on the Brazilian border, and in Riberalta located on the northernmost boundary of the Beni department. The Savings and Loan Associations carrying out these programs in these towns are brand new, being no more than 1 year old, and they have not only enjoyed successful savings attraction records but also have found that the demand for the home improvement loan program far exceeds both their lending assets and their staff capability to process such loans. A comparable program has been developed in Sucre, also with success, and by the Savings and Loan Association operating in Trinidad with a branch in Guayeramerin on the Brazilian border in the northern part of the Beni department.

The largest low-cost housing project to be placed in construction during 1978 will be the Cipriano Barace project developed by the Caja for floor relief programs funded by Inter-American Development Bank in the city of Trinidad, capital of the Beni department.

The CACEN, as the system's principal contact with government, and with international financial institutions, continues to provide much of the policy direction for the member associations. When in La Paz, for example, in recent years the stronger S and L's began to show increasing reserves as a result of profitable operations (the system is non-profit), and when association clients began to request distribution of those gains in the form of a "dividend", the CACEN was able to argue convincingly the need for a devaluation reserve and, additionally, suggest the value of a reserve to be used to reduce the financing costs for low-income families. These reserves are still embryonic but the policy is now firmly established.

Thus, the CACEN staff is fully responsible for convincing the member associations of the viability of the new rural outreach program. An important part of the convincing process is the supply of technical assistance by the CACEN staff. In order to assist the member institutions to develop the rural market, the CACEN will have to build a staff capable of working with member associations to create promotion programs, to design appropriate solutions and to monitor implementation of those solutions. A rural project division or department will need to be established to expand on the CACEN's currently technical and planning base. The division will work primarily on promotion, project cash flow scheduling and the technical aspects of shelter improvement.

D. Economic and Financial Analysis

1. National Economic Conditions

Following six years of impressive growth (averaging 6-7 percent per year, in real terms), the Bolivian economy is beginning to show signs of strain. The rate of real growth in the GDP, which slowed to 4.8 percent in 1977, is likely to drop to about 4 percent this year. Imports, fueled by readily available credits, are increasing far more rapidly than exports, a phenomenon which, when coupled with a mounting services deficit, will leave Bolivia at the end of 1978 with a considerably larger current account deficit than that incurred

(\$168 million) in 1977. Exports are expected to grow at the rate of approximately 4 percent this year, while imports will rise by 15 to 20 percent.

3. The primary causes of Bolivia's weak performance are sagging petroleum exports, which in the first half of 1978 were approximately 22 percent by value below the levels of the same period of 1977 and difficulties in expanding tin production to take maximum advantage of the record high current prices.

4. Although precise information is not available, it appears that import growth is largely attributable to public sector purchases, including deliveries under contracts signed in previous years. Given the usual lags between contract signing and merchandise delivery, it is unlikely that the rate of growth in imports can be significantly reduced this year.

5. Although net long-term capital inflows will substantially exceed short-term capital flight, and the capital account balance at year end may be as favorable as in 1977 (\$214 million in surplus), this amount will not offset the current account deficit, and Bolivia will end the year with a substantial balance of payments deficit.

6. The Pereda government is conscious of these realities and is presently reviewing its investment priorities as well as measures which can be taken to cut public sector spending and to reduce liquidity within the economy. The Central Bank recently moved to curtail the inflow of foreign funds to the private banks by limiting the foreign liabilities of the banks to the amount outstanding on June 30, 1978, and by imposing a 3 percent tax on loans made utilizing funds drawn from foreign sources. This measure, which has not yet been fully implemented, is intended to reduce private sector imports."

Though the Government changed in November 1978, it was clear from the effort made by the new Government to retain the incumbent Finance Minister that the economic conclusions described above, and the need to be more cautious with the short-term foreign debt position were not disputed.

2. General Economic Impact of Project

The principal economic impacts of the project will be the strengthening of two of the nation's important housing finance institutions, and the creation of increased demand for basic construction materials and products.

Both the BANVI and the S and L system will be operating at market rates, covering expenses. The addition to working capital will also reinforce their image as housing solution producers and thereby result in an increased in-

creased inflow of savings. For example, each borrower under current BANVI practice acquires shares in the bank as part of the qualification for a loan. The share purchase requirements run from one to ten percent depending on the size of the loan. All borrowers from the S and L system are also required to open savings accounts.

The term of the loans, thirty years, will also permit both financial institutions to reinvest the recuperated funds. Given the wide variation in term (adjusted to correspond not only to the financial capacity of the borrower, but also to the size of project being contemplated - a borrower will not want to borrow twenty years just for roof replacement), it is possible that the institutions will be able to invest the funds almost twice. Due to inflation, the second investment will not have the same impact in numbers of solutions as the first. The \$4 million HG would imply, however, nearly a doubling of the year-end 1977 loan portfolio of the BANVI. The loan to CACEN would add about 17% to the June 1978 S and L system portfolio.

The project will add stimulus to the demand for basic construction materials and housing components. The construction boom of recent years has strained the nation's capacity to supply cement and has generated increased levels of imports. The individual nature of the HG-supported projects will tend to reduce their impact on the demand for materials at any one time; however, some impact on the level of imports of cement and zinc, for example, will be evident. The problem of construction materials supplies is one which requires a more thorough review than given to date, hence the inclusion of the subject as part of the T/A package.

Perhaps the most interesting impact of the project will be on the demand for fitted components such as doors, window and sanitary items. Increased demand for these products should lead to greater standardization of output, and the development of more local producers, reducing the transportation component of the cost. Though it is difficult to expect a staggered output of under 5,000 solutions (perhaps 10,000 windows) to create immediately an adequate demand for industrial window and door manufacture, it must be remembered that the formal housing industry effort is only reaching about 5,000 units per year at present. The project impact, therefore, will not be negligible.

The impact of the project on jobs is difficult to assess because of the project's diffuse nature and its reliance on self-help. The 500 or so completed units may be positioned in such a way as to permit the entry of 3rd Class contractors and artisans as in the case of Cipriano Barace. In general, however, the employment impact will be felt largely by the materials and components supply businesses.

3. Project Funding

The \$320,000 DG will be spent during the 24 months following authorization (\$120,000 in FY 79 and \$200,000 in FY 80 each), in order to assure that the

BANVI and CACEN are fully prepared to meet the expected tight disbursement schedule once the HG loans are negotiated, and in order to carry out the TA on a schedule which assists the MUV to develop a shelter policy and plan for the 1981-85 period.

The HG loans are expected to carry 30-year terms with a ten-year grace period for capital repayment. A disbursement period of between 24 and 27 months is also anticipated. Assuming that funds can be found in the U.S. market at 10%, the following calculations may be made:

Basic Cost of Funds to Borrowers:

Base interest rate	10.0%
AID Guaranty fee	0.50
Stated cost of funds	<u>10.50%</u>

Calculation of impact of Lender and AID commissions (1% each, payable at first disbursement)

Effective base rate	<u>0.07</u>
	10.57%

Development of Cost to Final Borrowers:

S and L System

F.H.A. CACEN fee	0.50%
	<u>0.50</u>

Probable cost to S and L association 11.57%

The S and L system now uses a range of interest rates (from 12% to 15%). The CACEN expects HG supported rural loans will carry at 14% rate. The proposed spread of 2.43% (14% less 11.57%) to meet administrative expenses of the associations is a little over the 2.25% administrative cost currently used by the S&L system and leads to the conclusion that the S&L associations will be able to carry out the HG program without adversely affecting their financial position.

BANVI -

Operating Cost recovery	3.80%
Possible cost to Borrower	<u>14.37%</u>

BANVI presently uses a 15% rate and expects to apply this rate to the HG program as well. This figure was arrived at subsequent to recent extensive analysis of BANVI costs in administering housing loans. Substantial grant support from the IBRD, the UN and the GOB to BANVI is currently assisting BANVI in covering some of the administration costs involved in HG program (see page 36). Administrative costs of both institutions will be evaluated during the course of the AID evaluations (see Evaluation p. 56) to ensure that the program can be managed within the lending and management cost parameters outlined above. In anticipation that U.S. lenders will continue the recent practice of insisting on a rapid takedown schedule, five drawdowns have been scheduled for each borrower, beginning in mid-1979 with a drawdown of \$500,000 and continuing through to the beginning of the third quarter of 1981. The schedule would be as follows:

July 1979	\$ 300,000
January 1980	300,000
July 1980	1,000,000
January 1981	1,000,000
July 1981	1,000,000
	<u>\$ 4,000,000</u>

It is estimated that the loans made by both institutions will have terms which average in the neighborhood of 12.5 years, permitting the funds to be turned over roughly 1.25 times. A ten-year grace period on capital amortization will also provide added opportunity for the institutions to consolidate the positive economic impact of the inflows from interest and capital recuperations.

4. Financial Condition of the Borrowing Institutions

a) BANVI

Following a rocky beginning, management began to turn earnings performance around in 1976. By year-end 1977, the accumulated loss had been reduced to approximately \$10,000, and the 1978 results are expected to show a profit for the first time. By year-end 1977 paid in capital had reached \$2.7 million and assets had reached \$9 million, to which the loan portfolio contributed \$6.25 million. 1978 estimates (now held to be realistic) called for the BANVI to make \$5.5 million in loans during the year as compared with \$3 million for 1977. At present, most BANVI working capital resources are of short term character. The Banco Central has granted a \$1.5 million line of credit for refinancing with terms of 12 years at 9%. Efforts to enter foreign markets for more short-term funds for 1979 have been stymied by the previously mentioned GOB concern for the nation's short-term foreign debt structure. The attached projections completed by BANVI staff (with assistance from Banco de la Vivienda del Peru experts, funded by the IERD program) suggest that loss of the short term foreign credits will substantially curtail BANVI's growth capability over the next five years (see tables 11 and 12). If projections are made for growth based on what the BANVI staff has seen of the potential demand, resource deficits of approximately \$3 million a year for the next four years result. (See Tables 13 and 14). Though the AID program fits neatly into this scheme, BANVI planning had not considered as long a term as those suitable for Plan Socio Urbano borrowers, and in fact is preparing to propose to GOB financial planners use of a tax on government construction contracts (such as exists in Peru) to help raise additional funds.

b) CACEN

In the year ended June 30, 1978, the S and L system registered a 22% gain in mortgage lending, making \$5.6 million in long-term mortgage loans. The system's assets totaled \$51 million to which mortgage loans contributed \$23 million and construction loans another \$20 million. The eleven members each reflected the following asset picture as of December 31, 1977:

<u>Association</u>	<u>Department</u>	<u>Assets - US\$</u>
La Primera	La Paz	\$ 16,452,000
El Progreso	Oruro	2,705,000
La Promotora	Cochabamba	3,377,000
Guapay	Sta. Cruz	4,138,000
Tarija	Tarija	2,475,000
Potosi	Potosi	1,764,000
La Plata.	Sucre (Chuquisaca)	1,317,000
La Paz	La Paz	8,147,000
Paititi	Beni (Trinidad)	2,884,000
Manutata	Beni (Riberalta)	206,000
Pando	Pando (Cobijsa)	150,000

The associations in Potosi and Sucre continue to be the most problematic, being unable to generate profits in spite of some years of existence. The associations in Riberalta and Cobijsa are only one year old, and though not yet profitable are apparently successfully drawing savings and an active demand for the home improvement loan program. The system intends to encourage the Sucre and Potosi members to develop this program as it is more suited to the relatively stable populations of those traditional cities.

Table 15 reflects a projection of S and L system sources and uses of funds over the next five years, including EG and BIAPE financing. The system has traditionally maintained a liquid position as a contingency for internal system problems or other unexpected pressures.

Injection of \$2 million per year in working capital into both the BANVI and the S and L system over the coming two years should not cause any problems for these institutions from a financial point of view and, in fact, should have a highly positive impact on their financial conditions and image before the public. The challenge will be the effective processing of these funds through to the final beneficiary.

c) Project Financial Analysis

A cash flow analysis of the program components was not prepared because of the tenuous nature of the assumptions that would be required. Since the individual terms of the loans made by the different lending institutions would vary so substantially and the program is itself a pilot effort resulting in further assumptions about loan terms and costs, it was decided that, at the present time, it would be better to rely on the current and recent past experience of the lending institutions.

It is assumed that the interest, administrative cost, fees, and other financial features described on page 43 are adequate to assure financial viability for both the BANVI and CACEN components. In the case of CACEN, its progressive, positive historical experience seems to justify confidence in what it believes to be a financial structure sufficient to carry out its program component successfully. Moreover, the 2.25 administrative cost of its past programs has permitted CACEN to promote new programs and expand its staff and operations. BANVI as indicated on page 35 had

preoccupied itself with its solvency and viability and as a result of recent financial studies of its operation has arrived at a 3.8 percent margin. Furthermore, the technical assistance to BANVI from the IBRD, UN and AID under this program should assist BANVI in covering some operational costs.

Assumptions about operating and administrative costs as well as other financial features of the BANVI and CACEN program components, however, will be subject to a special evaluation within the six months after the program is initiated. This combined with the covenant referring to separate records and books for the program should permit proper recording of administrative costs so that a detailed evaluation of financial expenses can be made and any necessary adjustments carried out. The recent experience of the lending institutions in conjunction with the evaluation procedures to which the CACEN and BANVI will be subject assures that the program will be financially viable.

C. Financial Capacity of the Target Population and Demand

As indicated on pages 7c and 9 the average solution costs of the BANVI and CACEN program would average \$2000 for a home improvement loan and \$4500 for a core unit. The monthly payments required to amortize assuming repayment over 8 and 20 years respectively would be an average of \$35.90 for a home improvement loan and \$59.26 for a core unit. Assuming the maximum home improvement loan, the monthly payment for a family in the 35th percentile would represent roughly 14 percent its monthly income and for a new core unit the estimated amount would be about 24 percent.

About 75 percent of the HG loans will be utilized for home improvements. Home improvement loans will be targeted primarily for families from below the 5th percentile (b\$1500 monthly) to the 15th percentile (b\$3000 monthly). Therefore, as an example, a family in the 10th percentile (b\$2500) would be required to pay about 28 percent of its income for the maximum home improvement loan. Since home improvement loans range from \$2000 to as low as \$500, they can be tailored to the specific paying capacity of a particular family.

So strong is the demand for home improvement loans, that CACEN and its affiliate associations have initiated the provision of such loans to families within the AID target population in Cobija, Riberalta, Sucre and Trinidad. The response has been overwhelming to the point that the program is already over-subscribed within one year of its establishment in those areas.

Extending a home improvement program to the full system of associations would easily absorb the solutions contemplated under the CACEN component of the program. Moreover, since over 900 solutions will provide loans as low as \$500 in rural areas it will satisfy the needs of lower income populations in the more remote areas of the country. It is expected that the BANVI loan program involving only 1800 improvement solutions over a two year period would be easily as popular since the AID target population has never been provided resources on such reasonable terms for shelter upgrading.

The total number of new core units to be provided involves roughly 500 solutions nation-wide over the life of the program. The largest low-cost housing project of a nature similar to the one proposed under this program was Cipriano Barace in Trinidad where 200 core units were built in 1978 and 500 applications were received from eligible applicants

TABLE 11

BANVI

PROJECTED RESOURCES USING EXISTING CONDITIONS - CAPITAL ACCOUNT

	1978	1979	1980	1981	1982
	(000 \$b.)				
1. Capital	4,000	4,000	4,000	4,200	4,500
2. Savings Deposits	18,000	19,000	20,000	21,000	22,000
3. Central Bank Line	30,000	30,000	40,000	40,000	40,000
4. Bonds (Balance)	12,000	-	-	-	-
5. Foreign Credit	40,000	-	-	-	-
6. Repayments - Long Term	8,000	13,000	16,000	19,000	22,000
7. Repayments - Short Term	7,000	16,000	18,000	21,000	25,000
8. IBRD Loan and Fees	3,650	3,476	3,513	1,560	-
9. U.N. Loan	2,000	2,000	2,000	-	-
10. Reserves and Retained Earnings	1,370	2,080	1,800	2,300	2,800
11. CAF* Program - Sales and Repay.	3,584	4,000	4,500	5,000	5,500
12. Construction loan Repayment	-	-	3,636	3,636	3,636
TOTAL	129,604	93,556	113,449	117,696	125,436

* Corporacion Andina de Fomento
(industrial development financing)

Conversion \$b.20 = \$1.00

TABLE T2

BANVT

PROJECTED USES OF FUNDS - EXISTING RESOURCES - CAPITAL ACCOUNT

	1978	1979	1980	1981	1982
			(000 \$b.)		
1. Individ. Home Loans					
Short Term	25,000	23,300	31,995	34,000	39,000
Medium & Long Term	42,210	40,360	45,000	49,000	57,000
2. Short Term Construction Loans	40,000	-	-	-	-
3. Loans for Condominium Projects	2,160	3,820	3,000	3,200	4,800
4. Loans for Moderate Cost Subdivisions	4,000	4,000	4,000	-	-
5. IBRD Technical Assistance Program	1,310	3,476	3,513	1,560	-
6. Investments	1,615	1,986	2,500	2,833	3,532
7. Legal Reserves	6,000	7,000	8,000	9,000	10,000
8. CAF Program	7,308	9,400	9,400	7,600	-
9. Foreign Credit Repayment	-	-	3,636	3,636	3,636
10. Central Bank Line Repay. 1	-	714	1,786	1,786	1,786
11. C.B. Repay. 2	-	-	619	2,273	2,273
12. C.B. Repay. 3	-	-	-	2,808	3,409
TOTAL	129,603	93,556	113,449	117,696	125,436

Conversion \$b.20 = \$1.00

TABLE 13

BANVI

PROJECTED USES OF FUNDS CONSIDERING EXISTING DEMAND
(CAPITAL ACCOUNT)

	1978	1979	1980	1981	1982
			(100 \$b.)		
1. Individual Home Loans					
1.1 Short Term	25,000	70,000	72,000	74,000	76,000
1.2 Medium & Long	42,210	60,000	65,000	70,000	74,000
2. Short Term Construction Loans	40,000	40,000	40,000	40,000	40,000
3. Loans for Condominium Projects	2,160	3,300	3,000	3,000	4,000
4. Loans for Moderate Cost Subdivision Projects	4,000	18,000	22,000	24,000	27,000
5. IBRD Technical Asst. Program	1,110	3,470	3,513	3,500	-
6. Investments	1,615	5,000	5,000	6,000	6,000
7. Legal Reserves	6,000	7,000	8,000	9,000	10,000
8. CAF Program	7,308	9,400	9,400	9,000	-
9. Foreign Credit Repayment.	-	-	3,000	3,000	3,000
10. Central Bank Repayment - Line 1	-	724	1,700	1,700	1,700
11. Central Bank-Line 2	-	-	600	2,200	3,200
12. Central Bank-Line 3	-	-	-	1,000	3,400
TOTAL	129,603	224,970	237,313	246,000	254,300

Conversion \$b.20 = \$1.00

TABLE 14

BANVI

PROJECTED SOURCES OF FUNDS CONSIDERING EXISTING LOAN DEMAND
(CAPITAL ACCOUNT)

	1978	1979	1980	1981	1982
	(000 \$b.)				
1. Capital	4,000	6,000	6,400	6,800	7,200
2. Savings Deposits	18,000	19,000	20,000	21,000	22,000
3. Central Bank Line	20,000	30,000	40,000	40,000	40,000
4. Bonds (balance)	12,000	-	-	-	-
5. Foreign Credit	40,000	-	-	-	-
6. Repayments - Long Term	8,000	18,000	24,000	30,000	36,000
7. Repayments - Short Term	7,000	60,000	71,000	78,000	75,000
8. IBRD Program	3,600	3,476	3,513	1,560	-
9. U.N. Program	2,000	2,000	2,000	-	-
10. Reserves and Retained Earnings	1,370	2,680	3,568	4,139	5,400
11. CAF -Sales and Repayments	3,633	4,000	4,500	5,000	5,500
12. Construction Loan Repayments	-	-	3,636	3,636	3,636
TOTAL	129,603	145,156	178,617	190,135	194,736
RESOURCE DEFICIT	-	69,754	58,737	56,528	50,167
(PROJECTED USES)	129,603	214,910	237,354	246,663	244,903
13. HG Loan	-	10,000	30,000	40,000	-

Conversion \$b.20 = \$1.00

TABLE 15
(SAVINGS AND LOAN SYSTEM)
PROJECTED SOURCES AND APPLICATIONS OF FUNDS
(000 US \$)

<u>Sources</u>	<u>1978</u>	<u>1979</u>	<u>1980</u>	<u>1981</u>	<u>1982</u>
1. Amortization of Loan Portfolio (existing 12/31/78)	2,780	2,780	2,780	2,780	2,780
2. New Savings	4,359	4,722	4,722	4,724	4,724
3. Foreign Credits	4,720	2,480*	3,000*	2,000***	-
4. Amortization of New Loan Portfolio	809	2,414	3,496	4,191	7,210
5. Other inflows	607	788	1,020	1,100	1,100
6. Balance from pre- vious period	3,060	3,275	1,000	1,000	1,000
Total Resources	16,335	16,459	16,018	15,795	16,814
1. Loan Repayment	1,694	2,936	2,818	2,753	2,692
2. Interstate Pay- ments on Savings Accounts	1,738	2,125	2,568	3,040	3,557
3. Administrative Expenses	2,054	2,361	2,715	2,958	2,618
4. New Mortgage Loans	7,500	8,000	6,900	6,000	6,500
5. Other Applications	74	37	17	14	47
TOTAL APPLICATIONS	13,060	15,459	15,018	14,765	15,414
BALANCE	3,275	1,000	1,000	1,000	1,400

* 500 HG
1500 BIAPE

** 1500 HG
1500 BIAPE

*** 2000 HG

Table 16 below suggests the possible range of loans and loan terms which may be employed in the project. It is possible to consider completed core unit solutions in the different areas of the country with loans of between \$b.75,942 (\$3,797) and \$b.95,000 to \$b.100,000 (\$4,750-\$5,000).

TABLE 16

POSSIBLE LOW-HIGH RANGE OF LOANS

(Interest Rate Fixed at 15%)

Approx. National Urban Area	Income Percentile	Income Level \$b.	% Income Spent on Shelter	Monthly Payment \$b.	Term of Loan (Yrs.)	AMOUNT OF LOAN	
						\$b.	US\$
	Below 5th	500	15	75	5	3,152	158
		500	25	125	10	7,747	387
"	"	1,000	15	150	5	6,305	315
		1,000	25	250	15	17,862	893
"	"	1,500	20	300	10	18,595	930
		1,500	25	375	20	28,478	1,423
5th		2,000	20	400	15	28,580	1,429
		2,000	33	667	20	50,653	2,533
"	10th	2,500	25	625	15	44,656	2,232
		2,500	33	833	20	63,285	3,164
"	15th	3,000	25	750	20	50,956	2,548
		3,000	33	1,000	20	75,942	3,797
"	25th	4,000	25	1,000	20	75,942	3,797
		4,000	33	1,333	20	101,256	5,063
"	35th	5,000	25	1,250	20	94,927	4,746
		5,000	33	1,667	20	126,570	6,329
"	45th	6,000	25	1,500	20	113,913	5,696
		6,000	33	1,980	20	150,365	7,518

E. The Role of Woman

As the project is designed to realize fundamental improvements in housing conditions for low-income families, a direct product will be improvement of the area in which the female members of such families concentrate their daily commercial and household activities. Direct benefits will include living areas which are easier to keep clean (cement or brick floors, plastered walls), and which are better lit (through incorporation of windows and increased capability to make use of electric light fixtures). Improvement in sanitary conditions and minimization of the effects of site conditions (flooding, slides) will be additional benefits. Finally, secure title to property and access to credit permit women with home-based commercial activities to freely add the space necessary to house such activities.

Among the areas of special concern for project developers (CACEN, BANVI), to be made clear in the development of lending criteria and conditions, will be assurances of equitable credit treatment for female heads of household, including coverage of those situations in which male borrowers die or default, leaving families with loans only partially amortized. In practice, the income of female family members plays a particularly important role in the credit worthiness of the target population families.

The project will have a positive impact on the employment of women professionals, particularly sociologists and economists, as the Plan Socio Urbano staffs are expanded. The existing staffs already employ women in these positions and plans are now being formed to expand the number of positions available nationwide. The implementation agreement will specify selection of women to fill at least half of the newly opened positions resulting from the project.

F. Environmental Conditions

An initial environmental examination (IEE) was conducted on the proposed US AID/Bolivia housing program.

The environmental analysis has concluded that the proposed development actions will not significantly impact the environment in any of the identified potential areas of critical concern. In addition, the evaluation concluded that the implementing agencies and their planning/implementation procedures demonstrate a substantial level of concern and sensitivity to the environment in the project actions.

The IEE's conclusion is that the proposed actions do not represent a major federal action, nor will they significantly impact the human environment. Therefore, the IEE recommends that the US AID/Bolivia housing program be given a Negative Determination.

IV. IMPLEMENTATION PLAN

RHUDO/Panama will be responsible to the Mission for managing the T/A and HG loan and for review and approval of HG disbursements.

A. Disbursement Procedures

The HG funds will be disbursed over a period of between 24 and 27 months depending on conditions in U.S. financial markets at the time of borrowing. The borrowers, CACEN and BANVI, will be able to operate on schedules independent of the other institution, and will be able to negotiate disbursement schedules according to their own assessment of their ability to allocate the funds.

Initial disbursements of \$500,000 will be designed to pump-prime the project, permitting the BANVI to use the HG funds to finance construction advances or home improvement financing without evidence of work accomplished, and permitting the CACEN to offer seed money to system members to begin making loans in areas traditionally beyond the scope of normal operations. In all cases, final disbursements will have to be made against evidence of program-related notes or mortgages.

A proposed disbursement schedule calls for drawdowns of \$500,000 by each borrower in calendar year 1979, \$1,500,000 in CY 1980 and \$2,000,000 in CY 1981.

DG disbursements for FY 1979 will be made as soon as possible (prior to HG loan negotiation) in order to provide T/A to the borrowers during the final project definition stages.

Prior to disbursement of either HG loan, the following agreements will have been signed in the order in which they appear:

- Development Grant Agreement between AID and the MUV and CACEN specifying the beneficiary institutions and the uses of the funds;
- an Implementation Agreement between AID and each borrowing institution, detailing the procedures for execution of each project, and the reporting requirements and limitations on the uses of the HG funds.
- a Guaranty Agreement, for each project, signed by AID, assuring any U.S. investor against loss;
- a Host Country Guaranty, guaranteeing AID against any loss due to inability of the Bolivian borrowers to meet their debt obligations;

- a Loan Agreement, between the CACEN and the BANVI and the U.S. parties selected as investors.

B. Conditions Precedent

Prior to the search for a U.S. investor, AID will require that the following conditions be met:

1. Project Delivery Plans submitted by BANVI and MUV and CACEN and member associations which detail project timing, project financing, project output and the delivery of that output to the benefitting low-income families as well as environmental planning steps. The PDPs will be approved by AID.
2. formally signed agreements between the BANVI and the MUV and the CACEN and associations outlining the responsibilities of each agency in project preparation and execution.
3. Commitment by the responsible GOB authorities of the funds recuperated from the PADES loan to the objectives of the HG project, and authorization of their use for project activities.
4. preparation of a program of Plan Socio Urbano staff augmentation in project areas, and authorization by MUV and the appropriate Municipal officials.
5. signed agreement, as necessary, with municipal and regional development or utility organizations in project implementation areas, providing adequate support for project sponsored Plan Socio Urbano activities.
6. publication, following AID approval, of lending criteria and credit qualifications for HG project loans.
7. implementation of a staff augmentation program affecting both central and regional levels as part of the project planning process, and in preparation for project execution.

C. Covenants

In the Implementation Agreements, the lending institutions shall covenant the following:

- 1) That BANVI and CACEN will invest their own resources in the project to the extent of 20% of HG investments;
- 2) That BANVI and CACEN will obtain the guaranty of the GOB for their debt obligation;
- 3) That reflows to the BANVI and CACEN resulting from amortization of project loans prior to the expiration of the term of the HG loans will be reinvested in comparable types of shelter projects;
- 4) That BANVI will direct its lending programs so that 75% of its loan portfolio is directed at low-income families by 1985 and CACEN will direct its lending programs so that 25% of its loan portfolio is directed at low-income families by 1985;
- 5) That BANVI and CACEN will develop a strategy to upgrade environmental conditions in areas where loans are concentrated and develop environmental guidelines to be utilized in reviewing and approving home improvement and core unit solutions including the selection of sites;
- 6) That BANVI will use HG resources so that approximately 75% of the shelter solutions will benefit families with incomes from the 5th to the 15th percentile as shown in figure 1, page 9 (between b \$1500 and b \$3000 per month as of 1/1/79) and approximately 25% for families with incomes above the 15th percentile to the 35th percentile (between b \$3000 and b \$5000 per month as of 1/1/79).
- 7) That the CACEN will use the HG resources so that approximately 10% of its of the shelter solutions will benefit families with incomes below the 5th percentile between b \$500 and b \$1000 per month as of 1/1/79, approximately 70% of the shelter solutions will benefit families with incomes around the 5th percentile to the 15th percentile (b \$1000 to b \$3000 per month as of 1/1/79) and approximately 20% of the shelter solutions benefit families with monthly incomes in the 15th to 35th percentile (between b \$3000 to b \$5000 as of 1/1/79).
- 8) That BANVI and CACEN shall establish in their books and records an account for the HG program that will reflect inflows and outflows of the HG resources, financial and administrative charges connected with the implementation of the HG program.

D. Implementation Plan

A project implementation schedule is reflected in the Planned Performance Tracking Network (PPTN) which follows.

E. Evaluation Plan

The project will have annual regular evaluations, the first in the third quarter of 1980, the second in the third quarter of 1981, etc., with a final one in 1985, by which time the project's effectiveness in meeting its goals can be evaluated. A special evaluation will be conducted at the end of 1979 to examine the initial financial viability of the program and establish a base-line against which future financial evaluations will be made. Special attention will be paid to administrative costs incurred by both BANVI and CACEN in the implementation of the HG program. The special evaluation procedure of the program costs and finances will permit that necessary adjustments can be made, if needed, in the management of the program. As indicated above, in the covenant's section, books and records related to financial matters will be adequate to permit that proper evaluations can be carried out.

The Project Delivery Plans (P.D.P.) and the Planned Performance Tracking Network, as adjusted to reflect the P.D.P.'s, and the Logical Framework will be the principal benchmark documents for project evaluation.

The Implementation Agreement will specify the appropriate regular reporting required on the participating organizations. The regular reports will permit monitoring project progress against the P.D.P. and P.P.T.N. documents discussed above.

PROJECT DESIGN SUMMARY
 LOGICAL FRAMEWORK

(INSTRUCTION: THIS IS AN OPTIONAL FORM WHICH CAN BE USED AS AN AID TO ORGANIZING DATA FOR THE PAR REPORT. IT NEED NOT BE RETAINED OR SUBMITTED.)

Life of Project: _____
 From FY 71 to FY 81
 Total U.S. Funding \$6.4 (X) (X)
 Date Prepared: _____

Project Title & Number: BOLIVIA 511-ING-005

NARRATIVE SUMMARY	OBJECTIVELY VERIFIABLE INDICATORS	MEANS OF VERIFICATION	IMPORTANT ASSUMPTIONS
<p>Program or Sector Goal: The broader objective to which this project contributes: (A-1)</p> <p>Increase the capability of Bolivia's housing institutions to provide affordable, safe and sanitary shelter solutions for the nation's low-income families.</p>	<p>Measures of Goal Achievement: (A-2)</p> <ol style="list-style-type: none"> 1. The existence, in national planning documents, of a clear cut identification of the objectives for private and public sector institutions with respect to reduction of the deficit of shelter solutions for the nation's below median income families. 2. 75% of INVI's portfolio is directed at families with incomes below median levels by 1985. 3. 25% of the Savings and Loan System's portfolio is directed at families with incomes below median levels by 1985. 	<p>(A-3)</p> <ol style="list-style-type: none"> 1. Analysis of national government planning and budgeting documents. 2. Analysis of institutional financial statements and output records. 	<p>Assumptions for achieving goal targets: (A-4)</p> <ol style="list-style-type: none"> 1. The appropriate priority is given shelter in national policy determination.

NO. 10-10-70
 DATE: 10-10-70

PROJECT DESIGN SUMMARY
 LOGICAL FRAMEWORK

Annex A
 Life of Project: _____
 From FY _____ to FY _____
 Total U. S. Funding _____
 Date Prepared: _____

Project Title & Number: Bolivia 511-11G-005

NARRATIVE SUMMARY	OBJECTIVELY VERIFIABLE INDICATORS	MEANS OF VERIFICATION	IMPORTANT ASSUMPTIONS
<p>Purpose: B-1</p> <p>1. To assist the Dirección General de Promoción Comunal of the Ministry of Housing and Urban Development (MIV), the BANVI and other appropriate governmental organizations to develop and implement low-cost shelter programs (hereafter Plan Socio Urbano) in at least three urban areas, excluding La Paz. Such plans to reflect establishment of the appropriate long-term institutional relationships and identification of shelter projects.</p> <p>2. To assist the MIV to determine the capabilities of the housing councils to participate in the increased production of low-cost housing solutions.</p> <p>3. To assist MIV to assess the potential for construction industry involvement in low cost shelter programs so as to improve the delivery process.</p>	<p>Conditions that will indicate purpose has been achieved: End of project status. (B-2)</p> <p>1a. Plan Socio Urbano programs in three major urban areas outside of La Paz are being implemented. Policy and necessary institutional relationships between MIV, BANVI, municipal governments, regional development corporations and the public utility companies have been defined formally and integrated shelter projects have been identified.</p> <p>1b. Low-cost shelter solutions for families with incomes below median levels have been designed and executed by the Plan Socio Urbano Offices in three urban areas excluding La Paz. BANVI has provided all financing.</p> <p>2. An analysis of the capabilities of the housing councils exists which identifies the manner in which the councils will increase their participation in low-cost shelter projects.</p> <p>3. a) Low-cost shelter solutions including serviced lots, home improvements and core units are designed and clearly displayed in a Manual of Low-Cost Shelter designed to be used by project beneficiaries both institutional and individual as a guide to production of adequate shelter.</p>	<p>1. Plan Socio Urbano documents submitted to BANVI and AID, plus BANVI loan records.</p> <p>2. MIV report and recommendations regarding role of housing councils in low-cost shelter programs.</p> <p>3. a) A published Manual for Low-Cost Shelter design and construction techniques.</p>	<p>Assumptions for achieving purpose:</p> <p>1a. MIV management is able to carry out a revitalization of its organization to increase the stature of the Dirección General de Promoción Comunal as the lead agency in the development of shelter programs designed to assist the nation's low income urban population, and recognizes the BANVI as the most appropriate vehicle for financing Plan Socio Urbano projects.</p> <p>1b. Local institutions accept the participation of the MIV and BANVI in local development, providing the cooperation and additional investment required by such projects.</p> <p>2/3. MIV plays an active and forceful role in assessing national housing needs and in presenting these needs to GOB policy-makers.</p>

PROJECT DESIGN SUMMARY
LOGICAL FRAMEWORK

Life of Project: 7/1980 - 7/1981
From FY _____ to FY _____
Total U.S. Funding _____
Date Prepared: _____

Project Title & Number: Bolivia 511-IG-005 (Cont.)

NARRATIVE SUMMARY	OBJECTIVELY VERIFIABLE INDICATORS	MEANS OF VERIFICATION	IMPORTANT ASSUMPTIONS
<p>Purpose: 3 - i</p> <p>4. To reinforce the self-help, mutual assistance, and community organization traditions and techniques as they apply to shelter production (cooperatives, juntas vecinales, the "minga" process), as part of an effort to improve the shelter delivery process.</p> <p>5. To strengthen the BANVI's role as the central public sector housing finance institution.</p> <p>6. To assist the nation's savings and loan system to advance its involvement in financing low-cost shelter programs in rural towns and communities.</p>	<p>Conditions that will indicate purpose has been achieved: End of project status.</p> <p>3. b) A study is completed which indicates through which techniques, and in which aspects of low-cost shelter production greater participation by the construction industry would improve the low-cost shelter delivery process.</p> <p>4. Distinct community organizations are participating in Plan Socio Urbano projects as coordinators of the financing and construction activities.</p> <p>5. a) BANVI has invested 20% of IIG loan total from its own resources.</p> <p>5. b) The GOB has directed that idle housing council resources be a resource for funding BANVI low-cost shelter projects, and has continued to provide regular allocation of budgetary resources to support BANVI working capital needs.</p> <p>6. a) The savings and loan system has formalized throughout the nation the processes for sponsoring and executing low-cost shelter projects in rural towns and communities.</p> <p>6. b) The savings and loan system has invested 20% of IIG loan total from its own resources.</p>	<p>3.b) MJV report on construction industry.</p> <p>4. Plan Socio Urbano documents plus local records (municipal).</p> <p>5. BANVI Records.</p> <p>6. CACEN Records.</p>	<p>Assumptions for achieving purpose:</p> <p>4. GOB policy accepts the importance of the need for a coordinated attack on the funding of low-cost shelter solutions, and recognizes BANVI as the most appropriate vehicle for this funding.</p> <p>5. The savings and loan system nationwide accepts the viability of low-cost shelter projects in rural areas.</p>

PROJECT DESIGN SUMMARY
 LOGICAL FRAMEWORK

Title of Project: _____
 From FY _____ to FY _____ /11/11/11 /1
 Total U.S. Funding _____
 Date Prepared: _____

Project Title & Number: _____

NARRATIVE SUMMARY	OBJECTIVELY VERIFIABLE INDICATORS	MEANS OF VERIFICATION	IMPORTANT ASSUMPTIONS
<p><u>Outputs: (C-1)</u></p> <p>1. Three Plan Socio Urbano Programs in urban areas not including La Paz.</p> <p>2. low-cost shelter solutions.</p>	<p><u>Magnitude of Outputs: (C-2)</u></p> <p>1. Comprehensive plans outline the development of low-cost shelter solutions, and reflecting formal agreements between the MIV, BANVI, municipal governments, regional development corporations and public utilities with respect to project implementation.</p> <p>2. a) 1,800 solutions averaging \$2,000 each located in Plan Socio Urbano areas, consisting principally of home improvements or serviced lots, and financed by BANVI.</p> <p>b) 290 + solutions averaging \$4,500 each, located in Plan Socio Urbano areas, financed by BANVI and consisting principally of core housing units.</p> <p>c) 960 solutions averaging \$500 each financed by Savings and Loan System in small dispersed rural communities, and consisting of home improvements.</p> <p>d) 1,680 solutions averaging \$2,000 each financed by Savings and Loan System consisting of home improvements and located in rural market towns.</p> <p>e) 230 + solutions averaging \$4,500 each financed by Savings and Loan System consisting of</p>	<p><u>(C-3)</u></p> <p>1. Plan Socio Urbano documents.</p> <p>2. BANVI/CACEN/UGPC records.</p>	<p><u>Assumptions for achieving outputs: (C-4)</u></p> <p>1. MIV agrees to support activities of Dirección de Promoción Comunal increasing the departmental budget, and, local authorities agree to take an active interest in the Plan Socio Urbano program.</p> <p>2. Inflation does not drastically change solution/price relationships. Solutions will meet with high degree of market acceptance.</p>

PROJECT DESIGN SUMMARY
 LOGICAL FRAMEWORK

Annex A
 Life of Project: _____
 From FY _____ to FY _____
 Total U.S. Funding _____
 Date Prepared: _____

Project Title & Number: Hollivin 511-HG-002 (Cont.)

NARRATIVE SUMMARY	OBJECTIVELY VERIFIABLE INDICATORS	MEANS OF VERIFICATION	IMPORTANT ASSUMPTIONS
<p>Outputs: (C-1)</p> <p>3. Community institutions established as the mechanism for carrying out the Plan Socio Urbano projects.</p> <p>4. An analysis, with recommendations of the potential for use of housing council resources in the implementation of shelter programs for families with incomes below the median.</p> <p>5. An analysis of the potential of the construction industry to participate in the low-cost shelter delivery process.</p> <p>6. A Manual of low-cost housing (Cartilla de Vivienda de Bajo Costo)</p> <p>7. a) Increased BANVI working capital b) Increased capability of BANVI staff to handle low-cost shelter programs.</p>	<p>Magnitude of Outputs: (C-2)</p> <p>3. Manual produced which identifies roles and responsibilities of community organizations in the implementation of the Plan Socio Urbano process. Formal agreements executed between BANVI, the local office of the Plan Socio Urbano, and community organizations.</p> <p>4. Publication of analysis and development of program for future council involvement.</p> <p>5. Publication of analysis.</p> <p>6. Publication of Manual.</p> <p>7. a) BANVI working capital at US\$15 million by end of HG loan disbursement period. b) Projects identified covering 6,000 solutions by end of HG loan disbursement.</p>	<p>(C-3)</p> <p>3. Community organizational manual; BANVI records; Municipal government records.</p> <p>4. MUV publications.</p> <p>5. MUV publications.</p> <p>6. MUV publications.</p> <p>7. BANVI operating records and portfolio; BANVI and Plan Socio Urbano projections.</p>	<p>Assumptions for achieving outputs: (C-4)</p> <p>3. MUV idea that housing council funds should be directed at low-cost shelter solutions when not in use for council projects is politically tenable. Ministerial personnel situation remains adequately stable to permit continuous development of the program.</p> <p>4. National Policy determinations recognize need to increase budgetary support for BANVI low-cost projects.</p>

PROJECT DESIGN SUMMARY
LOGICAL FRAMEWORK

Annex A
Life of Project: _____
From FY _____ to FY _____
Total U. S. Funding _____
Date Prepared: _____

Project Title & Number: Bolivia 511-11G-005 (Continuation)

NARRATIVE SUMMARY	OBJECTIVELY VERIFIABLE INDICATORS	MEANS OF VERIFICATION	IMPORTANT ASSUMPTIONS
<p>Outputs: (C-1)</p> <p>8. Expanded Savings and Loan System staff dealing with rural area housing projects.</p>	<p>Magnitude of Outputs: (C-2)</p> <p>8. 10 additional technical positions developed throughout Savings and Loan System to deal with rural area projects.</p>	<p>(C-3)</p> <p>8. CACEN reports.</p>	<p>PAGE 3/6</p> <p>Assumptions for achieving outputs: (C-4)</p>

San Juan, P.R.
 10001

PROJECT DESIGN SUMMARY
 LOGICAL FRAMEWORK

Life of Project: _____
 From FY _____ to FY _____
 Total U.S. Funding _____
 Date Prepared: _____

Project Title & Number: Bolivia 511-162-005 (Cont.)

NARRATIVE SUMMARY	OBJECTIVELY VERIFIABLE INDICATORS	MEANS OF VERIFICATION	IMPORTANT ASSUMPTIONS
<p>Inputs (D-1)</p>	<p>Implementation Target (Type and Quantity) (D2)</p> <ul style="list-style-type: none"> - 24 months for assistance to CACEN in development of rural loan market and in adaptation of such financing to secondary market transactions. <p>5. Host Country Investment will include:</p> <ul style="list-style-type: none"> - 20% investment by DANVI \$800,000 - 20% investment by S&I System \$800,000 - Purchase downpayment on complete units \$240,000 - Plan Socio Urbano local staff \$100,000 - S&I System Staff \$120,000 - Land donations by local government and MJV \$400,000 - Publication of Manual of low-cost housing \$ 50,000 - Ex-FADES funds \$300,000 <p>Total Host Country Investment <u>\$2,810,000</u></p>	<p>(D-3)</p>	<p>Assumptions for providing inputs: (D-4)</p> <ul style="list-style-type: none"> 4. Vehicle prices remain within project range. 5. Host country institutions maintain commitment levels.

PROJECT DESIGN SUMMARY
LOGICAL FRAMEWORK

10-1120-102-711
SUPPLEMENT 1

Project Title & Number: Bolivia 511-IG-005

Life of Project: _____
From FY _____ to FY _____
Total U.S. Funding _____
Date Prepared: _____

PAGE 4

NARRATIVE SUMMARY	OBJECTIVELY VERIFIABLE INDICATORS	MEANS OF VERIFICATION	IMPORTANT ASSUMPTIONS
Inputs: (D-1)	Implementation Target (Type and Quantity) (D-2)	(D-3)	Assumptions for providing inputs (D-4)
<p>1. IIG Program loans.</p> <p>2. DG for Technical Assistance.</p> <p>3. Technical Assistance.</p>	<p>1. Two IIG Program loans of $\frac{1}{2}$ million each to the IMNVI and the CACEN.</p> <p>2. $\\$320,000$ DG</p> <p>3. 36 man months of technical assistance to include:</p> <ul style="list-style-type: none"> - 24 man months to assist project implementation and coordinate use of T/A. - 4 man months for community organization and self-help programming and assistance in development of integrated shelter programs for the urban poor - 3 man months for assistance with analysis of housing resources and role of the construction industry in the low-cost shelter delivery process. - 3 man months for assistance with IMNVI operations (inspection, auditing, portfolio management). 	<p>1-5. AID, GOB, Investor, BANVI and CACEN reports and records.</p>	<p>1. A U.S. investor can be found.</p> <p>2. AID budget remains as allocated and projected.</p> <p>3. Technical experts are available. GOB confirms commitment.</p>

HOUSING INVESTMENT GUARANTY

STATUTORY CHECKLIST

BOLIVIA

Section 221 (a)

The proposed project meets the following criteria:

- (1) is intended to increase the availability of domestic financing by demonstrating to local entrepreneurs and institutions that providing low-cost housing is financially viable.
- (2) is intended to assist in marshalling resources for low-cost housing.
- (3) supports a pilot project for low-cost shelter; or
- (4) is intended to have a maximum demonstration impact on local institutions and national policy;
- (5) is intended to have a long run goal to develop domestic construction capabilities and stimulate local credit institutions to make available domestic capital and other management and technological resources required for low-cost shelter programs and policies.

Section 222 (a)

The total face amount of the guaranties issued and outstanding at any one time shall not exceed \$1,180,000,000.

Section 222 (b)

The proposed guaranty will result in activities which emphasize projects as provided in Section 222 (b) (1), (2), (4) and (5).

Section 222 (c)

In project implementation consideration will be given to the use of solar energy technology to the extent such technologies are economically and technically feasible

Section 223 (a)

The AID Guaranty fee will be in an amount authorized by AID in accordance with its delegated powers.

Section 223 (f)

The maximum rate of interest allowable to the eligible U.S. investor, to be

- 4 -

prescribed by the administrator, will not be more than one per cent above the current rate of interest applicable to housing mortgages insured by the Department of Housing and Urban Development.

Section 223 (h)

No payment may be made under any guaranty issued for any loss arising out of fraud or misrepresentation for which the party seeking payment is responsible.

Section 223 (j)

- (1) Bolivia is a country that is presently receiving development assistance under Chapter 1, Part I of the Act.
- (2) The proposed housing project is coordinated with and complimentary to other development assistance to Bolivia, in particular with the goal of development assistance to support, strengthen and encourage host country institutions responsible for development of the rural sector.
- (3) The proposed project will be designed to demonstrate suitability and feasibility of particular kinds of housing or of financial or institutional arrangements involving inter alia sites and services, home improvements, community improvements, etc.

The project is designed and planned by AID so that at least ninety per cent (90%) of the face value of the proposed guaranty will be issued for housing suitable for families with incomes below the median income (below the urban median income for the housing in urban areas) in Bolivia.

The face value of guaranties issued with respect to Bolivia in this fiscal year will not exceed \$25 million nor will this guaranty cause the average face value of all housing guaranties issued in this fiscal year to exceed \$15 million.

Section 238 (c)

The Guaranty will cover only lenders who are "eligible investors" as defined in this section of the act at the time the guaranty is issued.

Section 620/620A

There is no available information as to facts which would prohibit the funding of assistance to Bolivia.



El préstamo a la CACEN financiará soluciones habitacionales mínimas en el área rural incluyendo poblaciones de mercadeo y dos capitales de departamento, Cobija y Trinidad, que se las considera como centros de mercadeo rural. Los préstamos estarán dirigidos a áreas rurales remotas donde se requiere mejoras habitacionales mínimas, a soluciones parciales (mejoras de viviendas) en poblaciones de mercadeo y a la provisión de unidades mínimas en las dos capitales de departamento mencionadas.

Consideramos que para llevar a cabo los proyectos mencionados se requerirá la coordinación de las entidades públicas en cuanto al desarrollo del programa por parte del DGFC y a la financiación del BANVI. Además el proyecto otorgará asistencia técnica al Ministerio de Urbanismo y Vivienda (MUV) para apreciar la posibilidad de que fondos que se encuentran inmobilizados en los Consejos de Vivienda como excedentes a sus necesidades, puedan dirigirse al BANVI para respaldar las necesidades de capital de trabajo en los proyectos habitacionales de bajo costo. Se otorgará asistencia adicional al MUV para llevar a cabo una apreciación de la intervención potencial de la industria de la construcción en el proceso de la provisión de vivienda de bajo costo, para hacer que esta provisión sea más efectiva. El componente de asistencia técnica, también incluirá la dotación de un coordinador a tiempo completo por 24 meses, y la asistencia a corto plazo en el desarrollo de organizaciones comunitarias y futuros programas de mejoramiento del sector urbano pobre en conjunción con las actividades del Plan Socio-Urbano.

Se espera que esta asistencia al MUV será una colaboración directa en la preparación del componente habitacional del Plan de Desarrollo para el quinquenio 1981-85.

También se otorgará asistencia técnica al BANVI y CACEN para colaborar a estas entidades en la adaptación de su administración a las nuevas actividades de vivienda de bajo costo.

La asistencia mencionada tendrá un costo aproximado de \$us.400.000.--, monto que deseamos sea cubierto por una donación del Gobierno de los Estados Unidos al Gobierno de Bolivia.

Para que se pueda llevar a cabo el programa descrito, solicitamos que el Gobierno de los Estados Unidos otorgue su garantía a los dos préstamos, al BANVI y a la CACEN, por un total de \$us.8.000.000, y que conceda al Gobierno de Bolivia una donación de \$us.400.000.-- para poder llevar a cabo el componente de asistencia técnica del proyecto. Como aporte, el Gobierno de Bolivia garantizará a su vez el pago de los créditos al BANVI y a la CACEN.



MINISTERIO DE FINANZAS
BOLIVIA

Annex C

-3-

Estamos seguros que la presente solicitud tendrá una acogida favorable por ese organismo, que tan decididamente está colaborando en el desarrollo del país.

Con este motivo, saludo a usted atentamente.

W. J. M. M.
MINISTRO DE FINANZAS

TELEGRAM

Annex D
STATE 164303
28 JUN 78

UNCLASSIFIED
CLASSIFICATION

ACTION COPY

ACRONYM	
INFO	
AMB	1
DCM	1
CHARGE	
POL/ECON	1
CONS	
ADMIN	
GSO	
PER	
B&F	
HEALTH	
ICA	
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DEA	
MILGROUP	
DAO	
LAGS	
C&R	
APO	
RF	
CHRON	1
TOTAL	5

MB
INITIALS

23 JUN 1978
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INFO RUEHNP/AMBASSY PANAMA 0930

INCLAS STATE 164305

AIDAC, PANAMA FOR RHUDD/PSA

E.O. 1,650:4/A

Reply due 6/29

File DR

Action DR
Info DIR/DD

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TAGS:

SUBJECT: HG SHELTER PROGRAM FOR LOW-INCOME FAMILIES (PID)

1. DAEC REVIEW OF SUBJECT PID FOCUSED ON FOLLOWING POINTS WHICH NEED TO BE ADDRESSED IN PP. TEAM LEADER SD PORRINE PARTICIPATED IN REVIEW AND IS THEREFORE FULLY APPRISED OF DAEC CONCERNS.

2. FUNDING LEVEL: PROPOSED FUNDING OF 16.0 MILLION DOLS APPEARS HIGH FOR BOLIVIA, ESPECIALLY GIVEN INNOVATIVE NATURE OF PROGRAM. MISSION SHOULD CAREFULLY EXAMINE FUNDING REQUIREMENTS AND INCLUDE IN PP STRONG JUSTIFICATION FOR WHATEVER FUNDING LEVEL IS REQUESTED. JUSTIFICATION SHOULD ADDRESS, IN PARTICULAR: (A) INSTITUTIONAL CAPACITY TO ADMINISTER AND UTILIZE FUNDS WITHIN IMPLEMENTATION PERIOD (SEE ALSO PARA 4 BELOW); (B) EFFECTIVE DEMAND FOR HOUSING INVESTMENTS BY DESIRED TARGET GROUP (SEE ALSO PARA 6 BELOW); AND (C) CAPACITY OF CONSTRUCTION INDUSTRY TO SERVICE DEMAND FOR MATERIALS AND CONSTRUCTION ARISING FROM PROPOSED LEVEL OF INVESTMENT (SEE ALSO PARA 5 BELOW).

3. POLICY FRAMEWORK: MUCH OF THE DAEC DISCUSSION CENTERED ON WHAT KINDS OF POLICY CHANGES, IF ANY, WERE NEEDED IN THE HOUSING SECTOR AND HOW THIS PROJECT WOULD HELP TO BRING THEM ABOUT. THE PP SHOULD PROVIDE A DETAILED DISCUSSION OF THE CURRENT POLICY FRAMEWORK AND DESCRIBE GOB AND MISSION'S LOW-INCOME HOUSING STRATEGY AND GOALS. SPECIFIC POLICY CHANGES WHICH SHOULD BE EXPLORED AS PART OF PP DEVELOPMENT AND INCORPORATED INTO PROJECT DESIGN, AS APPROPRIATE, INCLUDE:

A. STRATEGY FOR RATIONALIZING HOUSING SECTOR - PID IDENTIFIES INSTITUTIONAL CONFUSION AS MAJOR PROBLEM IN SECTOR. PP SHOULD DESCRIBE FUTURE ROLES OF ALL HOUSING-RELATED INSTITUTIONS (CONAVIS, BANVI, CAJA, MIV) AND PROSPECTIVE INTERRELATIONSHIPS AMONG THEM UNDER PROPOSED RATIONALIZATION OF SECTOR. GIVEN BANVI'S ASSIGNED ROLE AS FINANCING ARM OF MIV, WHAT WILL HAPPEN TO CONAVIS? IS BANVI EXPECTED TO TAKE ON RESPONSIBILITY FOR LOW-INCOME HOUSING PROGRAMS AND WHAT CHANGES IN ORGANIZATION, STAFFING, AND FINANCIAL STRUCTURE WILL BE REQUIRED TO ASSURE A VIABLE LONG-RANGE COMMITMENT TO LOW-INCOME HOUSING? WHAT INSTITUTIONAL CHANGES WILL THE HG PROGRAM BE DESIGNED TO BRING ABOUT AND WHY?

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- B. LOCAL PARTICIPATION - IN DEVELOPING STRATEGY FOR RATIONALIZING SECTOR, MISSION SHOULD EXPLORE NEED TO NEGOTIATE INCREASED HOST-COUNTRY PARTICIPATION IN FINANCING LOW-INCOME HOUSING PROGRAMS, SUCH AS GOR COUNTERPART CONTRIBUTION TO HG OR LONGER-TERM COMMITMENT TO PROVIDE FINANCIAL SUPPORT TO PANVI. THIS ISSUE MAY BE CRITICAL TO REPLICABILITY OF PROPOSED PROGRAM.

4. IMPLEMENTATION AGENCIES - THE PP SHOULD PROVIDE RATIONALE FOR CHOICE OF PANVI AND THE CAJA TO IMPLEMENT THIS HG. BASIS FOR SELECTION OF EACH SHOULD FLOW FROM POLICY DISCUSSION PER PAPA 3A. ANALYSIS OF EACH INSTITUTION SHOULD BE INCLUDED WITH PARTICULAR REFERENCE TO THEIR PRIOR EXPERIENCE, IF ANY, WITH LOWER-COST HOUSING AND THEIR CAPACITY AND COMMITMENT TO SERVE LOW-INCOME GROUPS AS PROPOSED IN THIS PROGRAM.

5. CONSTRUCTION SECTOR - (A) WITH REGARD TO TECHNICAL FEASIBILITY, THE DAEC DISCUSSED WHETHER THE CONSTRUCTION SECTOR WILL BE ABLE TO SERVE THE NEEDS OF THE PROGRAM, PARTICULARLY IN VIEW OF INADEQUACIES IN SUPPLY OF BUILDING MATERIALS. THE PP SHOULD PROVIDE A DETAILED ANALYSIS OF THE CONSTRUCTION INDUSTRY IN BOLIVIA, SPECIFICALLY ITS CAPABILITY TO BUILD LOW-COST HOUSING AND WITH PARTICULAR REFERENCE TO SMALL CONTRACTORS. (SEE PAPA B BELOW.) THIS ANALYSIS SHOULD DEMONSTRATE THAT SECTOR WILL BE ABLE TO BUILD THE KIND AND QUANTITY OF HOUSING TO BE FINANCED UNDER THE HG IN THE ANTICIPATED TIME-FRAME. (B) THE DAEC DISCUSSED WITH MUCH INTEREST THE OPPORTUNITIES PRESENTED BY THIS PROGRAM FOR DEVELOPING SMALL CONSTRUCTION-RELATED INDUSTRIES. THE OFFER OF A GUARANTEED MARKET FOR CONSTRUCTION AND MATERIALS CONTRACTORS AND THE TRAINING PROGRAM PROPOSED IN THE PID COULD PROVIDE AN EXCELLENT BASIS FOR A BROADER PROGRAM OF EMPLOYMENT GENERATION THROUGH SMALL INDUSTRY DEVELOPMENT. IN VIEW OF THESE OPPORTUNITIES, MISSION SHOULD EXPLORE THE FEASIBILITY OF MAXIMIZING PARTICIPATION OF CLASS III AND IV CONTRACTORS AND ENCOURAGING BACKWARD-LINKAGES TO SMALL INPUT SUPPLIERS. THE PP SHOULD, THEREFORE, INCLUDE IN ITS ANALYSIS OF THE CONSTRUCTION SECTOR (PER PAPA A ABOVE), AN EXAMINATION OF THE PRINCIPAL CONSTRAINTS ON SMALL CONTRACTORS (E.G. ACCESS TO GOR CONTRACTS AND REASONABLE FINANCING TERMS) AND, AS APPROPRIATE, DESIGN THE PROGRAM SO AS TO ADDRESS THESE CONSTRAINTS. IN PARTICULAR, THE MISSION SHOULD CONTINUE TO EXPLORE THE PROPOSAL MADE IN THE PID TO DEVELOP FINANCING MECHANISMS TO PROVIDE CREDIT TO SMALL CONSTRUCTION-RELATED ENTERPRISES. GIVE MISSION'S INVOLVEMENT IN SMALL ENTERPRISES CREDIT AND TECHNICAL ASSISTANCE PROGRAMS (AGRIBUSINESS AND ARTISANRY PROJECT AND PCGP), MISSION MIGHT WANT TO GIVE SPECIAL CONSIDERATION TO DEVELOPING A LOAN PROJECT (PERHAPS IN THE RANGE OF 2-3 MILLION DOLS) AIMED AT EXPANDING THE CAPACITY OF SMALL CONSTRUCTION-RELATED ENTERPRISES TO BE IMPLEMENTED CONCURRENTLY WITH HG-FINANCED CONSTRUCTION ACTIVITIES AS WELL AS OTHER AID FINANCED CONSTRUCTION ACTIVITIES, AS DETAILED IN SEPTEL. SUCH A PROGRAM, HOWEVER, WOULD HAVE TO BE FUNDED WITHIN MISSION'S EXISTING BUDGET LEVELS, SINCE ADDITIONAL FUNDING CAN NOT BE ASSURED FOR THIS PURPOSE.

6. BENEFIT INCIDENCE OF PROPOSED HOUSING SOLUTIONS - THE PP SHOULD DESCRIBE IN DETAIL EACH TYPE OF HOUSING SOLUTION WHICH MAY BE FINANCED UNDER THE PROGRAM AND THE ESTIMATED COSTS AND PRICES OF EACH. THIS DESCRIPTION SHOULD BE

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SUPPORTED BY AN ANALYSIS SHOWING WHO IS EXPECTED TO BENEFIT FROM EACH TYPE OF SOLUTION AND THAT THERE EXISTS AN EFFECTIVE DEMAND FROM THIS GROUP FOR THE SOLUTIONS OFFERED. PP SHOULD INCLUDE ELIGIBILITY CRITERIA THAT ENSURES THAT HR RESOURCES WILL BENEFIT THE AID TARGET GROUPS IDENTIFIED IN THE BOLIVIA DAP.

7. MAINTENANCE - THE DATA DISCUSSED POOR EXPERIENCE OF OTHER COUNTRIES IN PROVIDING AND ASSURING ADEQUATE MAINTENANCE OF INFRASTRUCTURE FOR HOUSING SERVICES (ELECTRICITY AND WATER, COMMUNITY BUILDINGS). THE MISSION SHOULD EXPLORE THIS WITH A VIEW TO IDENTIFYING WHO SHOULD HAVE THIS RESPONSIBILITY (MUNICIPALITIES, MW, ETC.) AND, ONCE INFRASTRUCTURE IS BUILT, HOW MAINTENANCE COSTS

SHOULD BE ADMINISTERED AND FINANCED. THE PROPOSED OPS WITH FCM MIGHT BE DESIGNED TO DEVELOP COMMUNITIES' CAPACITY TO ASSUME PART OR ALL OF THE MAINTENANCE RESPONSIBILITIES. VANCE

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INFO OCT-01 EB-00 SIL-01 /073 R

DRAFTED BY LAC/DR:VSTICKEL:GAM
APPROVED BY DAA/LAC:ECOY
LAC/DR:TBROWN, JASAMBRAILO
LAC/DP:JFRANCIS (DRAFT)
LAC/SA:MKRAMZ (DRAFT)
DS/W:MPITA (DRAFT)
LAC/DR:MDBROWN
DESIRED DISTRIBUTION
4R ACTION LA 16 CHROM 1 2 3 6 8 INFO PVC RS PPC GC GCFLD GCLA OPIC
NO OLAB AA/OS,CMGT CTR DS/AGR DS/RAD ENGR OA SER FNLB HUD LAB 63P
*****067501 180912Z /13

R 172358Z JUL 78
FM SECSTATE WASHDC
TO AMEMBASSY ASUNCION
AMEMBASSY BOGOTA
AMEMBASSY BRASILIA
AMEMBASSY BRIDGETOWN
AMEMBASSY GEORGETOWN
AMEMBASSY GUATEMALA
AMEMBASSY KINGSTON
AMEMBASSY LA PAZ
AMEMBASSY LIMA
AMEMBASSY MANAGUA
AMEMBASSY MEXICO
AMEMBASSY MONTEVIDEO
AMEMBASSY PANAMA
AMEMBASSY PORT AU PRINCE
AMEMBASSY QUITO
AMEMBASSY SAN JOSE
AMEMBASSY SAN SALVADOR
AMEMBASSY SANTIAGO
AMEMBASSY SANTO DOMINGO
AMEMBASSY TEGUCIGALPA
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SER/H

AIDAC GUATEMALA FOR USAID AND ROCAP

E.O. 11652: N/A

TAGS:

SUBJECT:PROJECT POSSIBILITIES IN DEVELOPMENT OF SMALL
CONSTRUCTION-RELATED ENTERPRISES

1. OUR EXPERIENCE IN LAC HAS DEMONSTRATED A GENERAL
SHORTAGE OF CONSTRUCTION INDUSTRY CAPABILITY IN RURAL
AREAS AND SECONDARY TOWNS WHERE THE MAJORITY OF OUR
PROJECTS ARE IMPLEMENTED. AS A RESULT, WE FIND OURSELV
RELYING MORE AND MORE ON GOVERNMENT FORCE ACCOUNT
PROCEDURES FOR PERFORMING CONSTRUCTION COMPONENTS OF OUR
RURAL PROGRAMS. IN VIEW OF THIS SHORTAGE, WE MAY BE
OVERLOOKING OPPORTUNITIES TO STIMULATE AND SUPPORT THE
CREATION AND DEVELOPMENT OF RURAL CONSTRUCTION INDUSTRY
CAPABILITY AND ITS RELATED ENTREPRENEURIAL SKILLS IN
COMBINATION WITH OUR OTHER RURAL INSTITUTION-BUILDING
PROGRAMS.

2. IN ADDITION, THE RECENT SEMINAR ON LABOR-BASED
TECHNOLOGIES CONCLUDED THAT ONE CRITICAL BOTTLENECK
TO UTILIZING AVAILABLE LABOR RESOURCES IN RURAL INFRASTRUC-
TURE CONSTRUCTION IS A DEFICIENT CONSTRUCTION SECTOR WHICH
IS DOMINATED BY LARGE, WELL-EQUIPPED FIRMS WHICH ARE
NEITHER ABLE NOR WILLING TO UTILIZE LABOR-BASED CONSTRU-
CTION METHODS. ONE MEANS OF ATTACKING THIS PROBLEM IS TO
DEVELOP THE CAPACITY OF SMALL CONTRACTORS WHO ARE LIKELY

TO BE BETTER ADAPTED TO MEET THE NEEDS OF RURAL
INFRASTRUCTURE PROJECTS.

3. INCREASING THE CAPACITY OF SMALL CONSTRUCTION-RELATED
ENTERPRISES IS CONSISTENT WITH BROAD DEVELOPMENT GOALS OF
EMPLOYMENT GENERATION AND APPROPRIATE TECHNOLOGY TRANSFER.
HOWEVER, THIS SECTOR HAS BEEN LARGELY NEGLECTED IN AID
PROGRAMS TO DATE. AID COULD PROVIDE ASSISTANCE TO THIS
SECTOR THROUGH A VARIETY OF MEANS, INCLUDING (A)
TECHNICAL ASSISTANCE IN LABOR-BASED TECHNOLOGIES AND
ENTREPRENEURIAL SKILLS; (B) CREDIT FOR MEDIUM-TERM
INVESTMENTS IN PLANT AND EQUIPMENT OR FOR SHORT-TERM
WORKING CAPITAL ON FAVORABLE TERMS; AND (C) PROVIDING A
GUARANTEED MARKET FOR THEIR GOODS AND SERVICES THROUGH
CONCURRENT IMPLEMENTATION OF AID RURAL INFRASTRUCTURE
PROJECTS IN HOUSING, ROADS, AND SMALL-SCALE IRRIGATION
WORKS.

4. THESE POINTS AROSE FROM THE OACG REVIEW OF A PID FOR
A NG-FINANCED SHELTER PROGRAM FOR LOW-INCOME FAMILIES
IN BOLIVIA. THE PID IDENTIFIED CERTAIN BOTTLENECKS IN
THE CONSTRUCTION SECTOR WHICH IMPEDE ITS ABILITY TO SERVE
LOW-INCOME GROUPS -- E.G. CHRONIC CEMENT SHORTAGES,
DEPENDENCE ON IMPORTED MATERIALS. TO ADDRESS THESE
CONSTRAINTS, THE PID PROPOSED AS A COMPANION TO THE HG
A GRANT-FUNDED IN-COUNTRY SMALL CONTRACTOR TRAINING
PROGRAM TO DEVELOP APPROPRIATE CONSTRUCTION TECHNOLOGIES
AND ENTREPRENEURIAL SKILLS IN FISCAL, MANAGERIAL, AND
TECHNICAL OPERATIONS. THE ORGANIZATION AND CREATION OF
BASIC COMPONENT AND MATERIALS FABRICATION ENTERPRISES
WILL BE ENCOURAGED, (E.G. PORTABLE CONCRETE MIXING,
ROOF TRUSS FABRICATION, WINDOW AND DOOR ASSEMBLY,
ELEMENTARY PLUMBING FIXTURE MANUFACTURE, CONCRETE AND
IMPROVED ADOBE BLOCK FABRICATION) TOGETHER WITH OTHER
RELATED LOW-CAPITAL REQUIREMENT INDUSTRIES. IN ADDITION,
MECHANISMS FOR INSTITUTIONALIZING FINANCING WILL BE
EXPLORED FOR PROVIDING CREDIT TO CONSTRUCTION-RELATED
ENTERPRISES. SUCH FINANCING MIGHT BE MADE AVAILABLE
THROUGH THE GOVERNMENT HOUSING BANK, INDUSTRIAL BANK,
OR THE PRIVATE SECTOR (E.G., UNDER THE PCGP).

5. MISSIONS ARE ENCOURAGED TO EXPLORE SIMILAR NEEDS FOR
TECHNICAL ASSISTANCE AND FINANCING FOR SMALL CONSTRU-
TION-RELATED INDUSTRIES WHICH MIGHT EXIST ELSEWHERE IN
LAC. IF APPROPRIATE, THESE NEEDS COULD BE MET IN THE
CONTEXT OF EXISTING OR PLANNED SMALL INDUSTRY OR RURAL
ENTERPRISES CREDIT PROGRAMS, OR COULD BE ADDRESSED IN NEW
MISSION INITIATIVES IN APPROPRIATE TECHNOLOGY.
ADDITIONALLY, A SEPARATE GRANT AND/OR LOAN PROGRAM
SPECIFICALLY DIRECTED AT THE SMALL CONTRACTOR SUB-SECTOR

MAY BE WARRANTED IF THE CONSTRAINTS ARE PARTICULARLY
GREAT OR IF THIS SUB-SECTOR IS OF CRITICAL SIGNIFICANCE
TO MEETING BROADER GOALS OF THE MISSION'S PROGRAM BY
VIRTUE OF ITS SIZE, NUMBERS OF POOR PEOPLE INVOLVED IN
THE SUB-SECTOR, OR ITS POTENTIAL VALUE TO OTHER MISSION
PROGRAMS IN INFRASTRUCTURE CONSTRUCTION OR RURAL
INSTITUTION-BUILDING. OPPORTUNITIES MAY EXIST IN THIS
SUB-SECTOR FOR A SIGNIFICANT INCOME AND EMPLOYMENT IMPACT
ON AID'S RURAL AND URBAN TARGET GROUPS.

6. FOR USAID/BOLIVIA: IN CONJUNCTION WITH THE
DEVELOPMENT OF THE HG PROGRAM, MISSION MAY WISH TO
EXAMINE WHETHER A SEPARATE LOAN PROJECT MIGHT BE
APPROPRIATE, DESIGNED TO SUPPORT AND INSTITUTIONALIZE A
MECHANISM FOR PROVIDING CREDIT TO SMALL CONSTRUCTION-
RELATED ENTERPRISES. THIS COLLABORATIVE APPROACH TAKES
ADVANTAGE OF THE BENEFITS OF THE ASSURED MARKET FOR CON-
STRUCTION MATERIALS TO BE CREATED BY THE HG PROGRAM.

Robbins
EYI
Johns file

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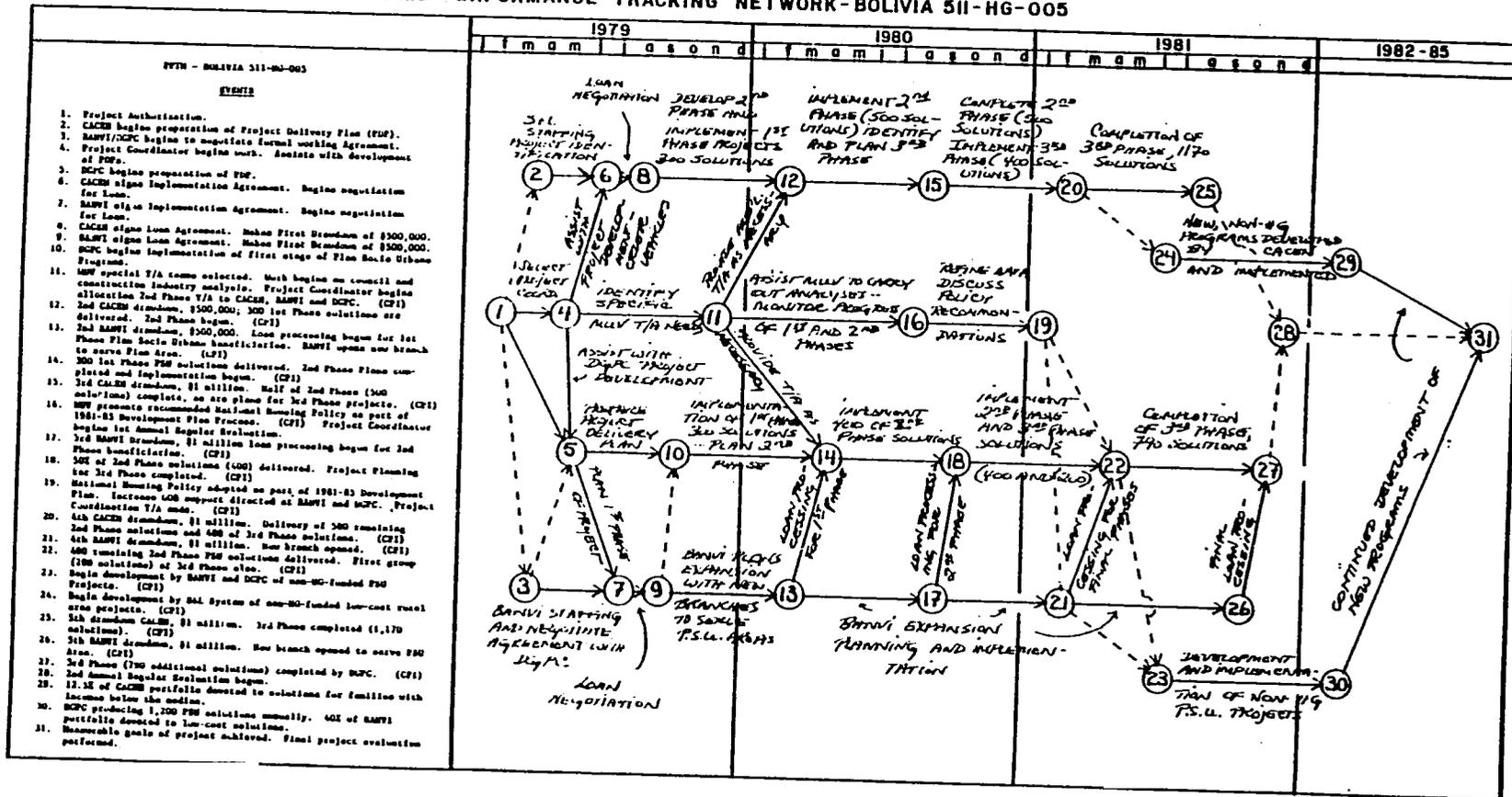
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THESE IDEAS RECEIVED MUCH SUPPORT AT THE DAEC REVIEW AND WERE FURTHER DISCUSSED WITH JOHN KILGORE, REGIONAL HOUSING OFFICER, AND DS/H. IF MISSION DECIDES TO EXPLORE THIS POSSIBILITY, KEY QUESTIONS TO BE ADDRESSED INCLUDE: (A) EXISTING CREDIT AVAILABILITY FOR SMALL CONSTRUCTION-RELATED ENTERPRISES -- WHAT SOURCES OF CREDIT ARE NOW AVAILABLE AND AT WHAT TERMS? ARE THERE OTHER DONOR PROGRAMS RESPONDING TO CREDIT NEEDS OF THESE ENTERPRISES? COULD ARRANGEMENTS BE MADE TO ACCOMMODATE THEIR NEEDS UNDER ANY OF THE ON-GOING AID CREDIT PROGRAMS? (B) IMPLEMENTING AGENCY - IS BANVI THE MOST APPROPRIATE AGENCY TO ASSUME THIS FINANCING RESPONSIBILITY, OR ARE THERE OTHER BANKING INSTITUTIONS, SUCH AS THE INDUSTRIAL BANK (BISA), WHICH MAY BE BETTER EQUIPPED FOR A CREDIT PROGRAM? (C) TIMING -- SCHEDULING OF A PROGRAM SHOULD COINCIDE WITH IMPLEMENTATION SCHEDULE OF NG TO TAKE ADVANTAGE OF AVAILABLE MARKET DEMAND FOR CONSTRUCTION MATERIALS. WHILE WE RECOGNIZE THERE ARE ALREADY TIGHT CONSTRAINTS ON THE MISSION'S PLANNED FY 79 OR FY 80 PROGRAMS, WOULD THERE BE ANY POSSIBILITY OF MAKING ROOM FOR A SMALL (2-3 MILLION DOLS) PILOT CREDIT PROJECT AMONG THE MISSION'S TOP PRIORITIES FOR THESE YEARS? IF MISSION DECIDES TO PROCEED WITH SUCH A PROJECT, AID/W COULD PROVIDE ASSISTANCE, IF DESIRED, TO HELP IN PROJECT DESIGN. SUCH ASSISTANCE COULD BE AVAILABLE AS EARLY AS AUGUST. PLEASE ADVISE. CHRISTOPHER

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PLANNED PERFORMANCE TRACKING NETWORK-BOLIVIA 511-HG-005



ANEX B
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PROJECT AUTHORIZATION

PROJECT 511-EG-005

PROVIDED FROM: Housing Guaranty Authority

BORROWERS: Banco Nacional de la Vivienda (Banvi)
Caja Central de Ahorro y Prestamo Para la Vivienda (CAPE)

Pursuant to the authority vested in the Assistant Administrator, Bureau for Latin America and the Caribbean, by the Foreign Assistance Act of 1961, as amended (FSA), and the delegations of authority issued thereunder, I hereby authorize the issuance of guaranties pursuant to Section 222 of the FSA of not to exceed four million dollars (\$4,000,000) in face amount to each borrower, assuring against losses of not to exceed one hundred percent of loan investment and interest with respect to loans by eligible U.S. investors (Investor) acceptable to A.I.D. for the financing of certain programs in Bolivia.

This guaranty shall be subject to the following terms and conditions:

1. Terms of Guaranty: The loan(s) shall extend for a period of up to thirty (30) years from the date of disbursement of the first installment of the loans, including a grace period on the repayment of principal not to exceed ten (10) years. The guaranty of the loans shall extend for a period beginning with the first disbursement of the loans and shall continue until such time as the Investor has been paid in full pursuant to the terms of the loans.
2. Interest Rate: The rate of interest payable to the Investors pursuant to the loans shall not exceed the allowable rate of interest prescribed pursuant to Section 223 (f) of the FSA and shall be consistent with rates of interest generally available for similar types of loans made in the long term United States capital markets.

3. Government of Bolivia Guaranty: The Government of Bolivia shall provide for a full faith and credit guaranty indemnifying A.I.D. against all losses arising by virtue of A.I.D.'s guaranty to the Investors or from non-payment of the guaranty fee.
4. Fee: The fee of the United States shall be payable by each borrower in dollars and shall be one-half of one percentum (1/20) per annum of the outstanding guaranteed amount of the loan plus the fixed amount of \$40,000 to be paid by each borrower as A.I.D. may determine upon disbursement of the Loans.
5. Other Terms and Conditions: The guaranty shall be subject to such other terms and conditions as A.I.D. may deem necessary.

Abelardo L. Valdez
 Assistant Administrator
 Bureau for Latin America
 and the Caribbean

Date

Clearances:

OC/INT/US/...	Date	_____

OC/INT/US/...:ojt:1/11/79

PROJECT AUTHORIZATION AND REQUEST FOR ALLOTMENT OF FUNDS

Name of Country: Bolivia
Name of Project: Shelter Program for
Low Income Families
Project Number: 511-0510

Pursuant to Part I, Chapter 1, Section 106 of the Foreign Assistance Act of 1961, as amended, I hereby authorize a grant to the Republic of Bolivia (the "Grantee") of not to exceed One Hundred Twenty Thousand United States Dollars (\$120,000) to help in financing certain foreign exchange and local currency costs of goods and services required for the project described in the immediately following sentence. The project consists of long and short term technical assistance in project implementation, environmental planning and housing sector policy formulation and coordination (the "Project"). Such technical assistance will be provided to the Ministry of Urban Affairs and Housing, the Banco de la Vivienda and the Caja Central de Ahorro y Prestamo Para la Vivienda ("CACEN").

I approve the total level of A.I.D. appropriated funding for this Project of not to exceed Three Hundred Twenty Thousand United States Dollars (\$320,000), grant funded, including the funding authorized above, during the period FY 1979 through FY 1980. I approve further increments during that period of grant funding up to \$200,000 subject to the availability of funds in accordance with A.I.D. allotment procedures.

I hereby authorize the initiation of negotiation and execution of the Project Agreement or Project Agreements, as the case may be, by the officer to whom such authority has been delegated in accordance with A.I.D. regulations and Delegations of Authority, subject to

the following essential terms and covenants and major conditions, together with such other terms and conditions as A.I.D. may deem appropriate:

Source and Origin of Goods and Services

Goods and services, including ocean shipping, financed by A.I.D. under the Project shall have their source and origin in the United States, except as A.I.D. may otherwise agree in writing.

Assistant Administrator
Bureau for Latin America
and the Caribbean

Date

Clearances:

GC/LAC, JLKessler MLC Date 3/7
LAC/SA, RBurke RSB Date 3/9
LAC/DR, TBrown _____ Date _____
LAC/DR, HBassford _____ Date _____
LAC/DR, WSigler _____ Date _____
LAC/DR, MBrown _____ Date _____

GC/LAC:GMW/inter:mlf:3/9/79:X29182