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ACTION MEMORANDUM FOR THE ACTING ASSISTANT ADMINISTRATOR (LAC)

FROM: LAC/DR, Marshall D. Brown 87

Problem: To concur in restructuring the Bolivia Shelter Sector Program for Low Income Families in order to shift major implementation responsibility from the Ministry of Housing (MUV) to the Banco de la Vivienda (BANVI), and to approve a six month extension of the terminal dates for meeting Initial Conditions Precedent (TDCPs) under the Implementation and Grant Agreements.

Background: The subject project was authorized on March 15, 1979. It consists of two housing guaranties of \$4 million each -- one for public sector housing activities, involving MUV and BANVI; and the other for housing in the private sector in which the Caja Central de Ahorro y Prestamo (CACEN) was to participate. Also included in the project were companion grants, totaling \$320,000, to assist BANVI and MUV in project implementation, environmental planning, and housing sector policy formulation; and to provide technical assistance to CACEN. The Implementation Agreement for the CACEN housing guaranty and the companion grant agreement were signed on June 21, 1979; the Implementation Agreement for the MUV/BANVI housing guaranty and the companion grant agreement were signed on July 12, 1979.

Discussion: To date, the CACEN portion of the project has proceeded well. The technical assistance plan under the grant is being implemented, and the search for a U.S. investor has been initiated. The public sector program, however, has shown very little progress due principally to a significant reduction in the level of support for the project within MUV, particularly at the Ministerial level. Despite these changes within MUV, BANVI and the three municipalities which were targeted to receive assistance under the project (Trinidad, Sucre and Cochabamba) are enthusiastic about the project and its potential benefits to the low-income residents of these areas. Therefore, the Mission and RHO/PSA, working with MUV, BANVI, and the municipalities, have reached an agreement with these entities on a restructuring of project implementation responsibilities.

To effect the changes in the project, the Implementation Agreement (511-HG-006) and Grant Agreement (511-0510) must be amended. Although it is not necessary to amend the authorization for either agreement, the Mission must receive from DS/H a delegation of authority to execute the Implementation Agreement Amendment and is seeking LAC Bureau and DS/H concurrence in restructuring the project.

The following changes are necessary in the project agreements to give BANVI the lead responsibility for implementation of most project activities:

1. Implementation Agreement: The Agreement's original intent of serving three target areas in the Departments of Beni, Chuquisaca, and Cochabamba with approximately 2,000 individual shelter solutions for eligible low-income families will remain the same. The substantive change begins where the new relationship between BANVI, municipal governments, and other participating local agencies is described as an integrated project development process between national agencies, regional, and local authorities. Previously, the MUV, through its Community Development Agency (DGPC), was to participate in the development of local plans. However, the Ministry's financial inability to complete this planning, coupled with the municipal governments' and other agencies' ability and willingness to do this, has prompted the change.

The second change occurs where BANVI, instead of MUV, will be required to channel \$400,000 for use in the control, staffing, and operations of the project. The publication of the low-cost housing manual, a previous responsibility of MUV at a cost of \$50,000, was reduced to \$10,000. The revised figure reflects publication requirements and, as a new joint responsibility between BANVI and MUV, better assures publication of the manual. Funding outputs which had included the participation of DGPC and MUV have been restructured to reflect BANVI's and other participating agencies' roles in the delivery of low-cost housing. Background studies in the development of a national housing policy and other specific studies will remain the same. Key sectional changes involve the new integrated shelter planning and development process which relies on municipal governments and other local participating agencies, rather than on MUV and DGPC. New institutional changes involve BANVI and municipal government staffing for the project. New operational steps detail the functions, responsibilities, and review and approval process necessary to implement the project, using the integrated planning and implementation procedures involving the municipalities in lieu of MUV and DGPC.

2. Grant Agreement: Three of the five grant components which were to have been implemented by MUV will now be transferred to BANVI. These include: short-term assistance in community organization (\$30,000); miscellaneous short-term assistance (\$30,000); and short-term assistance in environmental planning (\$20,000). For community organization assistance, BANVI will receive three person months of expertise on matters related to establishing community organization and self-help processes in the project areas. Under

miscellaneous assistance previously granted only to MUV, both MUV and BANVI will be provided assistance to carry out studies of the capabilities of BANVI's Housing Councils and other construction agencies providing low-income housing. Both institutions (but with emphasis on BANVI) will receive technical assistance to enable them to formulate a financial policy for low-cost housing solutions, and will assume responsibility for the analysis of the construction industry to participate in low-cost shelter delivery. As stated above, MUV and BANVI will also be provided assistance in the formulation of a manual on low-cost housing to be produced by both institutions. Lastly, the grant component for environmental planning will be implemented by BANVI rather than MUV.

Justification: BANVI, with the reallocation of grant resources and in cooperation with the municipalities, has the capability to carry out its expanded role in project implementation. This conclusion is based on BANVI's experience in the management and implementation of housing projects under a \$22.6 million loan from the World Bank. BANVI's key role in this program has been to manage the financial and technical components and coordinate project planning performed by the La Paz municipality and by the Housing Council in the development and delivery of sites and services, core units, housing improvement and remodeling, and urban development and infrastructure projects for low-income families.

We have reviewed the Mission's justification for restructuring the project and concur with the Mission that the reassignment of institutional roles is feasible and fits within the overall purpose of the project. The restructuring does not prevent the fulfillment of the original project purpose, which was to develop an improved institutional base for expanded public and private sector programs dealing with shelter problems of low-income families. The revisions combine project development and project implementation within BANVI, giving it the leading role in low-income public housing programs. MUV, however, will retain its overall responsibility for sector planning and will continue to receive grant assistance under the project.

Request for Six Month Extension of TDCP's: The Mission has informed us that an additional extension of the dates for meeting Initial Conditions Precedent under both agreements is required. The Mission has already used its six month authority to extend the TDCPs for both projects to April 12, 1980, and is now requesting AID/W approval for an additional six month extension to October 12, 1980, due to the proposed changes in the project. In view of the proposed revisions, we agree that a six month extension of TDCPs will be necessary.

Recommendation: That you concur in restructuring the project as described above and approve a six month extension for the TDCPs under both agreements from April 12 to October 12, 1980.

Approved: Edward Wiloy

Disapproved: _____

Date: April 16, 1980

- Attachments: TAB A - RHO/PSA Memo
TAB B - La Paz 2195
TAB C - Project Agreements
TAB D - Project Paper