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FINAL REPORT

CONTRACT No. 511-0000-S-00-3027-02

APPROPRIATION No. 72-1141000

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PRIVATE SECTOR DIVISION

UNITED STATES AGENCY FOR INTERNATIONAL DEVELOPMENT

LA PAZ - BOLIVIA

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Contract No. 511-0000-S-00-3027-02

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FINAL REPORT

The following is a report on the activities and duties I performed as a Financial Analyst for the USAID Mission in Bolivia from October 17, 1983 to May 31, 1984 under Contract No. 511-0000-S-00-3027-02. This report is a supplemental to the Interim Report I submitted to the Mission on October 15, 1984.

I. SCOPE OF WORK

Contractor will work as a Financial Analyst for various projects in the Private Sector Division and will perform the following duties and tasks:

1. Assist in the analysis and development of a private sector rediscount credit institution (second storey bank).
2. Act as liaison between Caja Central de Ahorro y Préstamo para la Vivienda (CACEN) and USAID/B, specifically in the implementation of

the 511-HG-007 Low Cost Shelter project and the Potable Water and Sanitation project and generally in any relations between CACEN and USAID/B (It is understood that part or all of the work with CACEN may be turned over to a National Direct Hire employee if and when an appropriate candidate is hired by USAID/B - this will be at the discretion of the head of the Private Sector Division).

3. Analyze state enterprise candidates for divestiture if Mission moves into this area.
4. Analyze financial operations of selected ICIs under the AID financed Central Bank credit lines if requested to do by head of division.
5. Participate as an active member of the Private Sector Action Team.
6. Coordinate training for private sector participants with Mission training office.
7. Participate in design and execution of Private Sector project evaluations.
8. Assist head of division in design, implementation, development and evaluation of various projects to the private sector.

II. DUTIES PERFORMED WITHIN THE SCOPE OF WORK

A. Initial Design of Agroindustry Development Project (511-0572)
(Second Storey Bank)

The intent of the Agroindustrial Development project was to establish a private sector development facility and an industrial technology transfer institute. The project's overall objective was to expand the role of the Bolivian private sector in agroindustry by means of increased access to credit and current production technologies. One important aspect of the project was to provide loan and technical assistance for the formation of a private sector, second storey bank, i.e. a rediscount credit facility. During the period of my contact covered in the report, I functioned as the Project Coordinator for this project. I was the Mission's liaison with the team of three consultants hired to evaluate the Banco Industrial, S.A. (BISA) as a potential candidate to manage the rediscount facility and analyze the demand for and the desirability of establishing such an institution in the Bolivian private sector. During the approximately two month term of their contracts, I monitored the team's progress, assisted them with the solution of operational and administrative problems, and accompanied them to any meetings which required a Mission representative. At the end of the contract term, the project committee met to review the consultant's report. At this same time, the COB announced that a commission would be appointed to review and revise

the Bolivian banking laws. In light of this, the Mission decided to postpone the Agroindustrial Development project until the new banking laws are announced and the Bolivian economy has stabilized and is more favorable for the creation of a new financial entity.

B. Caja Central de Ahorro y Préstamo para la Vivienda (CACEN) Low Cost Shelter Through the Private Sector (511-HG-007) and the Bolivian Savings and Loan Water and Sanitation Project (511-W-068)

Since September 1983 I have functioned as the Project Coordinator for the Mission's housing sector programs. During the months of October, November and December 1983, I worked closely with CACEN to complete the conditions precedent (CPs) to investor selection for the HG-007 housing guarantee loan. On December 21, 1983, the Mission accepted CACEN's response to the CPs including their financial strategy and their master implementation plan. However, three CPs, primarily the responsibility of the Central Bank, must still be met: a) the Central Bank and CACEN must execute a loan agreement for the \$15 million HG loan; b) the Central Bank must disburse to CACEN a \$300 million advance; and c) the Central Bank must consult with USAID regarding the terms of the loan to be solicited from U.S. investors. Due to the strong influence of the workers' union of the Central Bank, the loan has been delayed. The Mission Director and the Ambassador have interceded at the highest levels of the Bolivian Government on behalf of the implementation of this loan. In support of these negotiations, I have

prepared and revised numerous cash flow studies for CACEN and the S&L System considering various possible economic conditions. I have developed these cash flows by using both CACEN's Apple and Mission's IBM computers. The result of all the studies show that the S&L System must have some type of subsidy to overcome the substantial losses they incurred since 1982. Negotiations with the GOB continue, and the last Conditions Precedent are expected to be fulfilled by early June 1984.

During the course of the implementation process, I have drafted the three Implementation Letters which have been issued for this project. Furthermore, I function as the Mission liaison with the Regional Housing and Urban Development Office for Latin American in Panama.

In November 1983 I traveled with Jim Berezin of AID/Washington PRE/I to Trinidad and Guayaramerín to inspect CACEN's proposed subproject sites for the W-068 Bolivian Savings and Loan Water and Sanitation project. At that time, Mr. Berezin began a draft of the project's corresponding grant agreement. In January, the Mission received a preliminary copy of the draft grant agreement. Because of significant changes to the use of the grant funds, I rewrote the document. It was approved by the Mission Director and signed on May 4, 1984. In addition, I drafted Implementation Letter No. 1 which detailed the conditions precedent, initial implementation and fund disbursement procedures and reporting requirements.

I have also been working closely with the technicians of CACEN advising them on the development of their master implementation plan (MIP) for the Water and Sanitation project. I arranged for a 3 day consultation by Mr. Joseph Haratani of the WASH project to assist the CACEN technicians in the technical designs of the MIP.

Each of these projects has grant funds to finance technical assistance to the Caja Central. The Mission decided to pool the funds of both grants and hire an experienced technical assistance firm to aid CACEN in the development of its programs. In my position, as Project Coordinator, it was my responsibility to draft the original documentation for the official Request for Proposals. Based on the project papers and project agreements, I wrote the job descriptions for both the long-term and short-term technical advisors. The bidding process was closed on April 30, 1984. I then participated as a member of the Technical Proposal Evaluation Team for the selection of a firm to fulfill the TA package. The team's consolidated recommendation has been prepared and final selection of the firm should be completed by mid-June 1984.

I have also officially represented the Mission at many functions sponsored by the Caja Central and the S&L System. On April 12, 1984 I gave a speech to a general meeting of the System's presidents and managers explaining the long-term cash flows as prepared by CACEN and USAID and pledging USAID's continued support of the System.

C. Private Sector Project Committee

As an active member of the Private Sector Project Committee, I am involved in all the on-going, proposed, and pending projects managed by the Private Sector Division. The action check list meetings of the project committee provide a forum for the on-going evaluation of all private sector projects and activities. As an off-shoot of these meetings, I consulted with Gustavo Vega, USAID's long-term technical advisor to the Central Bank, regarding his detailed analysis of the interest rate spread which participating ICIs receive on the Bank's refinancing programs. In addition, I participated in discussions regarding project implementation of the Agribusiness and Artisanry (A&A) project. The purpose of the A&A project is to improve and expand the system for promoting and financing private agribusiness and artisanry enterprises through commercial banks and other financial institutions. USAID has recently encountered numerous difficulties in implementing this project and its corresponding amendment. Especially troublesome were the Central Bank's (CB) compliance with the conditions precedent to the implementation of the amendment and the long pending conclusion of the mechanization of the CB's development department. The Project Committee discussed in detail solutions to these problems. In addition, specific subprojects were analyzed and the basic concepts of the subprojects were developed. In keeping with the team concept, each committee member, according to his/her expertise, works with and advises the project manager in the project implementation process.

I was also involved in the evaluation and analysis of the current Productive Credit Guaranty Program (PCGP) as implemented by the Central Bank. The primary purpose of this project is to establish a guarantee mechanism to provide collateral for generally credit-worthy subprojects which lack sufficient security for sound commercial banking procedures. This program has been administered by the Central Bank since its signing in 1978. In accordance with USAID emphasis of private sector development, the Project Committee is investigating the means by which this project can be transferred from the Central Bank to administration by a private sector financial entity. My work with the Second Storey Bank project complemented the discussions of initiating a comparable project in the private sector.

D. Participant Training

During my contract period I have worked closely with the Mission Training Officer to identify worthwhile training opportunities applicable to the Private Sector Division's projects as well as to nominate qualified participants. In March 1984, the Mission used HG-007 project grant funds to finance the trip of Eduardo Frias to Panama for a Financial Management Seminar. I have also been actively promoting the housing course offered under the auspices of the George Washington University in Washington, D.C. Both CACEN and I hope to send one or two participants to this valuable seminar.

III. DUTIES BEYOND THE SCOPE OF WORK

In addition to my prescribed duties, I have frequently assisted the division chief with various administrative details of the office. I prepared the division's budgets requesting Project Development and Support's (PD&S) funds and any amendments to our budgeted use of these funds. I also have prepared the division's estimated travel expense budget submitted to the Controller for incorporation in the Mission's Annual Budget Submission. Furthermore, most frequently, when the division is requested to submit a projected travel schedule, general staffing plan or other general administrative memo, the division chief requests that I prepare the original draft.

IV. COMMENTS

I have enjoyed the past year of work with USAID/Bolivia, and have increased my knowledge of development activities and programs. I have especially enjoyed my work as project coordinator for the HG-007 and W-068 projects. The economic and political difficulties in implementing this project have been numerous. I believe that the technical assistance package as designed will help to strengthen the role of the private sector in meeting the shelter needs of Bolivia's poor, and am eager to begin work with the technical assistance team in the implementation of this project. I also look forward to a long and mutually beneficial relationship with USAID.

Clearance: PS:GHArgento DA 5/25/84