

PD-AAZ-675  
62312

UNITED STATES AID MISSION to BOLIVIA  
c/o American Embassy  
La Paz, Bolivia

USAID - BOLIVIA  
APO MIAMI 34932

Telephones: 350120, 350251  
Casilla 673  
La Paz, Bolivia

July 13, 1989

Mr. Enrique Velazco R.  
President  
FEBOPI  
La Paz

Dear Mr. Velazco:

Subject: Cooperative Agreement No. 511-0596-A-00-9249-00

Pursuant to the authority contained in the Foreign Assistance Act of 1961, as amended, the Agency for International Development (hereinafter referred to as "A.I.D." or "Grantor") hereby grants to the Federación Boliviana de Pequeños Industriales (herein referred to as "FEBOPI" or "Recipient"), the sum of US\$172,000 in support of the program in micro and small enterprise development as described in Attachment 1, entitled "Schedule" and in Attachment 2 entitled "Program Description". Additional funds up to a total of \$607,000 may be obligated by A.I.D. during the life of the program subject to the availability of funds.

This Agreement is effective and obligation is made as of the date of this letter and shall apply to commitments made by the Recipient in furtherance of program objectives during the period beginning with the effective date and ending August 15, 1993.

This Agreement is made with FEBOPI under the condition that the funds will be administered in accordance with the terms and conditions set forth herewith, in Attachment 1, entitled "Schedule"; in Attachment 2, entitled "Cooperative Agreement Program Description"; and in Attachment 3, entitled "Cooperative Agreement Standard Provisions" which have all

11

been agreed to by your organization. (Note: Throughout the Standard Provisions, the word "grant" should be replaced with "cooperative agreement".)

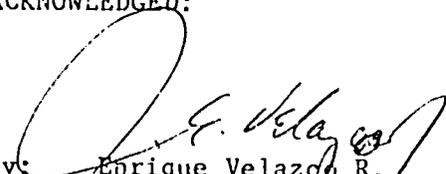
Please sign the original and six copies of this letter to acknowledge your receipt of the cooperative agreement and return the original and all but one copy to USAID/Bolivia.

Sincerely yours



H. Robert Kramer  
Director a.i.

ACKNOWLEDGED:



By: Enrique Velazco R.  
Title: President of FEBOP

Date:

ATTACHMENTS:

1. Schedule
2. Program Description
3. Standard Provisions

Letter to Mr. Enrique Velazco  
dated July 7, 1989  
Cooperative Agreement  
No. 511-0596-A-00-9249-00  
28711

PS:EGarcia:rca  
Clearances:  
 PS:DJessee 5/2/89  
 PS:RMoyers 5/15/89  
 RCO:JDunlap subject to resolution of comments  
 PD&I:AMDiaz 5/15/89  
 EXO/P:PKeirnan 5/10/89  
 EXO:JLieber 5/10/89  
 DP:AFunicello 5/10/89  
 CONT:RDavison 5/10/89

FISCAL DATA

Appropriation:	72-1181021	72-1181021	72-1191021
Budget Plan Code:	LDNA-88-25511-JG13 (\$ 17,000.00)	LDSA-88-25511-KG13 (\$ 92,300.00)	LDNA-89-25511-KG13 (\$ 62,700.00)
PIO/T No.:	511-0596-3-80266	511-0596-3-80267	511-0596-3-90074
Project No.:	511-0596	511-0596	511-0596
PRO-AG No.: PA	511-0596		
Total Estimated Amount:	\$ 607,000		
Obligated Amount:	\$ 172,000		
Total Obligated Amount:	\$ 172,000		

R:P880132, E:P880320  
 R:P880114, E:P880321  
 R:P890007, E:E890071

C: CA 05969249

**FUNDS AVAILABLE**  
 5 JUL 1989  
*Brenda C. Smith*  
 Signature

PD&I:Final:amdc 07/07/89  
 APD&I:JJCLoutier 7/14/89  
 ADD:DLMcIntyre 7/14/89

TABLE OF CONTENTS

ATTACHMENT 1

	<u>Page</u>
I. PURPOSE AND PROGRAM DESCRIPTION	1
A. Purpose	1
B. Program Description	1
II. AMOUNT OF AGREEMENT, FUNDS OBLIGATED, PAYMENT, ESTIMATED COSTS, AND COST SHARING	1
A. Amount of Agreement	1
B. Funds Obligated	1
C. Disbursements	2
D. Additional Funds	2
E. Total Project Costs	2
III. SUBSTANTIAL INVOLVEMENT UNDERSTANDINGS	3
A. Staging of Agreement	3
B. Covenants	3
C. Technical Assistance Agreement	4
D. Board Meetings	4
E. Cooperative Agreement (CA) Implementation Letters	4
IV. PERIOD OF AGREEMENT	4
V. REPORTS AND EVALUATIONS	5
A. Financial Reports	5
B. Technical Reports	5
C. Occasional Reports	5
D. Monitoring and Evaluation	5
VI. FINANCIAL PLAN FOR AGREEMENT	6
A. Funds Governed by this Agreement	6
B. Funds from Other Sources	6
VII. SPECIAL PROVISIONS	8
A. Promotion	8
B. Costs	8
C. Records	8
D. Accounting	8
E. Title of Property	8
F. Source and Origin of Commodities, Nationality of Services	8

ATTACHMENT 1

COOPERATIVE AGREEMENT  
SCHEDULE

I. PURPOSE AND PROGRAM DESCRIPTION

A. Purpose

The purpose of this Agreement is to strengthen the capacity of the Federación Boliviana de Pequeños Industriales (hereinafter referred to as FEBOPI or the Recipient) to strengthen the network of the Asociaciones Departamentales de Pequeños Industriales (hereinafter referred to as the ADEPIs), and to enable FEBOPI to establish a capacity to coordinate macro-economic and other studies geared towards the promotion of the small and micro-business sector of the Bolivian economy. The purpose/objectives of the program is/are described more specifically in Attachment 2 to this Agreement entitled, "Cooperative Agreement Program Description" and in the Recipient's proposal, which is hereby incorporated into this cooperative agreement.

B. Program Description

A.I.D. will support the Recipient to expand and improve its operations as described in Attachment 2 entitled, "Cooperative Agreement Program Description." Where there is a conflict between the schedule, Attachment 2 and the Recipient's proposal, first the schedule, then the program description, and finally the proposal shall control.

II. AMOUNT OF AGREEMENT, FUNDS OBLIGATED, PAYMENT, ESTIMATED COSTS, AND COST SHARING

A. Amount of Agreement

The total estimated amount of this Agreement for the period shown in IV.A below is US\$607,000. This amount includes only the A.I.D. contribution under this Cooperative Agreement.

B. Funds Obligated

A.I.D. hereby obligates the amount of US\$172,000 for program expenditures during the estimated period of May 1989 to June 1990, as shown in the Financial Plan below (VI).

### C. Disbursements

Disbursements shall be made to the Recipient under the procedures set forth in Attachment 3, Cooperative Agreement Standard Provision, entitled "Payment - Periodic Advance." The disbursement schedule is included with the Financial Plan. The following describes the method of disbursements:

1. At the beginning of this agreement and at the beginning of each calendar year, FEBOPI shall prepare and present to USAID/Bolivia an annual budget to cover the estimated expenses during the year. This budget shall be based on the general budget herein approved.

2. Additionally, FEBOPI shall prepare and submit to AID a quarterly budget for the expenses to be incurred during the report period. The annual amount and budget items shall be the same as approved in the yearly budget.

3. At the end of each quarter, FEBOPI will present a financial report (Schedule I) to USAID. This report will be on a cash basis and should include mainly the funds received in advance, the balance available, an accounting for any cash disbursement (training expenses, travel expenses, purchase of equipment, etc.) previously approved by USAID and charged to the Cooperative Agreement during the reporting period and the request of funds for next quarter. FEBOPI will present also Standard Form 1034 "Public Voucher for Purchase and Services other than Personal," in order to liquidate any earlier advances. FEBOPI may, at this time, request a further advance of funds never to exceed three months of estimated and reasonable disbursements under the Standard Form 1034 (original and three copies).

### D. Additional Funds

Additional funds up to the total amount of the agreement shown in II.A above may be obligated by A.I.D. subject to the availability of funds and to the requirements of the section of the Mandatory Standard Provisions of the agreement entitled, "Revision of the Grant Budget."

### E. Total Project Costs

The total cost of the program is approximately US\$1,613,000. The sources of the resources committed to cover these costs are described as follows:

#### 1. A.I.D. Contribution - \$1,413,000

A.I.D. will contribute US\$607,000 under this cooperative agreement. A.I.D. will also provide long- and short-term technical assistance to FEBOPI costing approximately US\$806,000.

## 2. Private Sector Contribution

The private sector participants in the program described herein will pay an estimated US\$200,000 during the life of the project for the services provided by FEBOPI.

### III. SUBSTANTIAL INVOLVEMENT UNDERSTANDINGS

#### A. Staging of Agreement

Prior to any disbursement, or the issuance of any commitment documents under the cooperative agreement to finance this program, FEBOPI shall furnish the following in form and substance satisfactory to AID:

1. The first year operational plan and four-quarter budget for the program.
2. The name(s) and specimen signature(s) of the person(s) authorized to legally represent FEBOPI.
3. A plan on how FEBOPI will segregate these funds from other funds.

Having completed these requirements, AID will certify that the first stage has been completed and that FEBOPI may proceed to the second stage. The second stage corresponds to the implementation of the program (See Attachment 2, Section VI).

#### B. Covenants

Additionally, it is understood that FEBOPI will fulfill the following during the life of the agreement:

1. Provide an annual operating plan and budget to be submitted for approval by A.I.D. The budget should follow the outline of the budget for this agreement.
2. Develop and revise as necessary its strategic plan and provide annual updates.
3. Develop a monitoring and evaluation plan acceptable to A.I.D. during the first six months of project implementation and establish a scheme for gathering the data required. This plan will cover all technical assistance rendered through FEBOPI.
4. Provide a quarterly technical report indicating problems, opportunities, and accomplishments.
5. Obtain A.I.D. approval in advance for all contracts for long-term services and any contract exceeding \$10,000 in value to be reimbursed by A.I.D.

6. Keep A.I.D. informed concerning all activities of FEBOPI and the ADEPIs, especially concerning any activities with other institutions.

7. Incorporate women into responsible positions in the management and operations of FEBOPI/ADEPIs. Aggressively seek out women clients in productive enterprises. Develop and present a plan satisfactory to A.I.D. to accomplish the above.

8. Develop a self-sufficiency plan to cover the expenses for technical assistance which must eventually be financed by the small-entrepreneurs themselves.

9. Work for close cooperation with the other institutions participating in the A.I.D. Micro and Small Enterprise Development Project, namely FENACRE and PRODEM.

10. Work for close cooperation with other A.I.D. projects such as Strengthening Financial Markets, Export Promotion, Market Town Capital Formation, Handicraft Export Development, Management Training and Policy Reform.

#### C. Technical Assistance Agreement

A cooperative agreement to provide FEBOPI with technical assistance has been entered into by A.I.D. with the World Council on Credit Unions (WOCCU).

#### D. Board Meetings

A.I.D. and the technical assistance providers will be invited to participate in the FEBOPI Board of Directors meetings as observers. The Chairperson of the Board will call extraordinary meetings if so requested by A.I.D.

#### E. Cooperative Agreement (CA) Implementation Letters

To assist FEBOPI in the implementation of the program, A.I.D., from time to time, will issue Cooperative Agreement (CA) Implementation Letters that will furnish additional information about matters stated in this agreement. A.I.D. and FEBOPI may also use jointly agreed-upon CA Implementation Letters to confirm and record their mutual understanding on aspects of the implementation of this agreement. CA Implementation Letters will not be used to amend the text of the agreement. The A.I.D. official authorized to sign cooperative agreement implementation letters is the Chief of the Private Sector Office.

### IV. PERIOD OF AGREEMENT

A. The effective date of this agreement is the date of the cover letter. The expiration date of this Agreement is August 15, 1993.

Schedule

Cooperative Agreement

No. 511-0596-A-00-9249-00

V. REPORTS AND EVALUATIONS

A. Financial Reports

FEBOPI will present to A.I.D. the financial reports described in paragraph II.C for A.I.D. funds. FEBOPI will also present to AID the financial report (Schedule II) for counterpart FEBOPI contribution.

In addition, FEBOPI will report any income (service charges, etc.) collected during the reporting period and all in-kind contributions made by the private sector participants during the same period of time.

B. Technical Reports

FEBOPI will submit a Quarterly Technical (or Progress) Report which is further described in Attachment 2, Section VII.D.

C. Occasional Reports

FEBOPI will report to A.I.D. on any and all operational matters A.I.D. may request.

D. Monitoring and Evaluation

During the program, FEBOPI and USAID/Bolivia will jointly monitor program progress.

Each month the monitoring system should produce a standard set of reports summarizing the progress of and problems encountered by the project.

An output file will be produced each month by each participating intermediary and sent to the Overall Project Coordinator of the technical assistance team for consolidation and analysis.

Additionally, at least one evaluation and a final impact evaluation will be conducted. The two evaluations will utilize the services of a qualified independent evaluator contracted with project funds by A.I.D.

The first evaluation will identify major problems and suggested mid-course corrections, and will analyze procedural and administrative implementation problems, as well as document problems made toward achieving expected outputs. The impact evaluation will measure the attainment of the purpose indicators (EOPS) and other quantifiable objective measures, and provide recommendations to FEBOPI and A.I.D. concerning the short-, medium-, and long-range future of the Program.

VI. FINANCIAL PLAN FOR AGREEMENT

The following is the Financial Plan for this agreement, including local cost financing items. Revisions to this plan shall be made in accordance with the section of the Standard Provisions of this agreement, entitled "Revision of the Cooperative Agreement Budget." All figures below are in US\$000.

A. Funds Governed by this Agreement

1. Commodities	42
2. Training	104
3. Operational Support	300
4. Policy Research	<u>161</u>
Total Funds of this Agreement	607

5. Disbursement Schedule

<u>US Fiscal Year</u>	<u>Total Funds</u>	
	<u>FX</u>	<u>LC</u>
1989	4	43
1990	44	136
1991	44	106
1992	44	96
1993	<u>19</u>	<u>71</u>
TOTALS	155	452
GRAND TOTAL	607	

Note: FX refers to dollar disbursements and LC to Boliviano disbursements.

B. Funds from Other Sources

Other resources will also be committed to the program by A.I.D. and FEBOPI.

	<u>Funds</u>
1. FEBOPI Contribution	
- Estimated Private Sector Contribution	200
2. A.I.D. (Estimates)	
- Technical assistance	<u>806</u>
3. Total of other funds	1,006

FEBOPI Budget (\$000)

	<u>1989</u>		<u>1990</u>		<u>1991</u>		<u>1992</u>		<u>1993</u>		<u>Total</u>		<u>TOTAL</u>
	<u>FX</u>	<u>LC</u>	<u>FX</u>	<u>LC</u>									
<u>Commodities</u>													
Office furniture and equipment (7 new posts)		22		20								42	42
<u>Training</u>													
In-country training Seminars (2/yr x 2)		1		6		6		6		5		24	24
Invitational travel (4 RT/yr. x 5)	4		19		19		19		19		80		80
<u>Operational Support</u>													
Operational Support		20		85		75		65		55		300	300
<u>Policy Research Studies</u>													
Policy Research Studies			25	25	25	25	25	25		11	75	86	161
Total Operating Grant	4	43	44	136	44	106	44	96	19	71	155	452	607
<u>AID Direct Expenditures</u>													
Technical Assistance	196		185		197		228				806		806
Subtotal AID	200	43	229	136	241	106	272	96	19	71	961	452	1413
<u>Private Sector Contribution</u>													
Operational Support				40		50		50		60		200	200
TOTAL TO FEBOPI	200	43	229	176	241	156	272	146	19	131	961	652	1,613
	===	===	===	===	===	===	===	===	===	===	===	=====	=====

Schedule  
Cooperative Agreement  
No. 511-0596-A-00-9249-00  
3482n

## VII. SPECIAL PROVISIONS

The Recipient agrees to the following:

### A. Promotion

To use its best effort to promote the various services made available through this agreement.

### B. Costs

To keep costs within budget estimates agreed with A.I.D. and make every responsible effort possible to make the information system self-financing before the end of the cooperative agreement.

### C. Records

To keep statistical records on costs available for review by A.I.D.

### D. Accounting

To maintain for A.I.D. grant funds separate bank accounts and accounting records from other operating funds.

### E. Title to Property

Title to property acquired under the agreement shall vest in the Recipient, which agrees to transfer all such property to any successor organization that is created to continue the program.

### F. Source and Origin of Commodities, Nationality of Services

Commodities and services financed by A.I.D. under the Program shall have their source and origin in Bolivia or the United States, except as A.I.D. may otherwise agree in writing. Except for ocean shipping, the suppliers of services shall have Bolivia or one of the countries included in A.I.D. Geographic Code 941 as their place of nationality, except as A.I.D. may otherwise agree in writing. Ocean shipping financed by A.I.D. under the Program shall, except as A.I.D. may otherwise agree in writing, be financed only on flag vessels of the United States. The suppliers of commodities shall have Bolivia or the United States as their place of nationality, except as A.I.D. may otherwise agree in writing. Source, origin, and nationality of participant training is governed by A.I.D. Handbook 10.

3482n

FINANCIAL REPORT - (SPECIAL ACCOUNT)  
A.I.D. CONTRIBUTION  
 (in US\$)

PROJECT: \_\_\_\_\_

FOR THE QUARTER ENDED \_\_\_\_\_

PROJECT BUDGET ELEMENTS	LIFE OF PROJECT TOTAL APPROVED BUDGET (OBLIGATIONS) (a)	CURRENT YEAR APPROVED BUDGET (b)	FUNDS RECEIVED TO DATE (AS OF _____) FROM INCEPTION	FUNDS EXPENDED THIS QUARTER	FUNDS EXPENDED THIS YEAR	FUNDS EXPENDED TO DATE (AS OF _____) FROM INCEPTION	BALANCE AVAILABLE FROM INCEPTION	FUNDS REQUIRED THIS QUARTER	REQUESTED IN THIS VOUCHER
			(c)	(d)	(e)	(f)	(g)	(h)	(i)
<u>Element</u>									

TOTAL

0/55G

FINANCIAL REPORT - (SPECIAL ACCOUNT)  
COUNTERPART CONTRIBUTION (CASH)  
(in US\$)

PROJECT: \_\_\_\_\_

FOR THE QUARTER ENDED \_\_\_\_\_

PROJECT BUDGET ELEMENTS	LIFE OF PROJECT TOTAL APPROVED BUDGET (OBLIGATIONS)	CURRENT YEAR APPROVED BUDGET	FUNDS RECEIVED TO DATE (AS OF _____) FROM INCEPTION	FUNDS EXPENDED THIS QUARTER	FUNDS EXPENDED THIS YEAR	FUNDS EXPENDED TO DATE (AS OF _____) FROM INCEPTION	BALANCE AVAILABLE FROM INCEPTION (g)	FUNDS REQUIRED THIS QUARTER (h)	FUNDS DEPOSITED THRU _____ (i)
	(e)	(b)	(c)	(d)	(e)	(f)	(g-f)	(h)	(h-g)

Element

Counterpart Contribution (In Kind)  
1. Element

ATTACHMENT 2

FEBOPI/ADEPIS COOPERATIVE AGREEMENT PROGRAM DESCRIPTION  
TABLE OF CONTENTS

	<u>Page</u>
I. BRIEF DESCRIPTION OF THE MICRO AND SMALL ENTERPRISE DEVELOPMENT PROJECT (MSED)	1
II. BACKGROUND	1
A. The ADEPIS	1
1. Organization	1
2. Objectives	2
3. Current Activities	2
B. FEBOPI	2
1. Organization	2
2. Objectives	3
3. Current Activities	3
III. GOAL, PURPOSE, AND STRATEGY OF THE PROGRAM WITH FEBOPI/ADEPIS	4
A. The Goal	4
B. Purpose	4
C. The Strategy	4
1. Strengthen FEBOPI/ADEPI System Institutionally	5
2. Establish/strengthen Specific Programs	5
3. Strengthen ADEPIS Institutionally	7
IV. PROGRAM RESOURCES	8
A. Technical Assistance	8
B. Training	9
C. Commodities	10
D. Operational Support	11
V. PROGRAM RESULTS	12
A. Program Benefits	12
B. Program Results	13
VI. IMPLEMENTATION	14
A. Responsibilities	14
B. Coordination with other elements of the MSED Project	14
C. Implementation Schedule	16
D. Accounting and Disbursement	17
VII. PROGRAM MONITORING, EVALUATION, AND REPORTING	17
A. Program Monitoring	17
B. Program Evaluation	19
C. Program Audits	20
D. Program Reports	20

## ATTACHMENT 2

### FEBOPI/ADEPIs Cooperative Agreement Program Description

#### I. BRIEF DESCRIPTION OF THE MICRO AND SMALL ENTERPRISE DEVELOPMENT PROJECT (MSED)

The Micro and Small Enterprise Development (MSED) Project is designed to contribute to three Government of Bolivia and USAID/Bolivia objectives: (1) strengthened private sector institutions, (2) economic development, and (3) more equitable income distribution.

The Project lays the foundation for long-run stability and prosperity in the small-scale enterprise sector by strengthening institutions that provide key support services to the sector and by fostering effective relationships between businesses and formal financial institutions.

The project will cooperate with three existing Bolivian institutions: Federación Nacional de Cooperativas de Ahorro y Crédito de Bolivia (FENACRE) and its constituent credit unions; Fundación para la Promoción y Desarrollo de la Microempresa (PRODEM); and Federación Boliviana de la Pequeña Industria (FEBOPI) and its constituent regional affiliates, the Asociaciones Departamentales de Pequeñas Industrias (ADEPIs). One or more commercial banks may be incorporated at a later stage as part of a client graduation program.

The services which will be institutionalized in one or more of these entities are four: technical assistance, policy formulation, training, and finance. Project activities will involve credit, institutional strengthening and development, and policy research and analysis.

#### II. BACKGROUND

##### A. The ADEPIs

##### 1. Organization

The Asociaciones Departamentales de Pequeños Industriales de Bolivia (ADEPI) form FEBOPI. The ADEPIs unite small industrialists and production artisans at the regional level (departments). In order to have access to the formal financial system, the ADEPIs have organized or are in the process of organizing credit unions with the participation of members. In addition to the credit mechanism they expect to have access to marketing channels, acquisition of raw materials and technical and entrepreneurial training.

## 2. Objectives

The ADEPIs have the following objectives:

- Strengthen and develop small industry and productive artisanry.
- Train administrators, technicians and workers in the sector.
- Coordinate activities which promote and facilitate the commercialization of the goods produced by the members of the associations.
- Coordinate training activities for its members so that they may improve their capacity to successfully manage their growing businesses.
- Coordinate activities involving technical assistance to its members.
- Organize members into sectorial groups so that common problems and opportunities may be identified.
- Coordinate with the other Associations in order to create and strengthen a National Federation of Small Industrialists which will promote policies which will promote the development of the sector.

## 3. Current Activities

The ADEPIs maintain direct contact with the productive enterprises and are responsible for (a) identifying, selecting and supporting local beneficiaries, (b) providing technical assistance for operational and financial analysis for their members, and for preparing business plans in support of loan applications, and (c) coordinating other training, technical assistance and technical loan servicing support.

### B. FEBOPI

#### 1. Organization

The Federación Boliviana de Pequeños Industriales (FEBOPI) was organized on October 7, 1985, and the Legal Status was granted and By-Laws approved on September 3, 1986, by Supreme Resolution of the Bolivian Government No. 201538.

FEBOPI was organized as a national interest group association for small-scale entrepreneurs, who felt their interests were not being adequately represented by the Cámara Nacional de Industrias

(CNI). So far FEBOPI is made up of seven Asociaciones Departamentales de Pequeños Industriales y Artesanos Productores (ADEPI) in the following departments: La Paz, Santa Cruz, Cochabamba, Oruro, Potosí, Tarija, Chuquisaca. The ADEPI in Pando is being organized.

## 2. Objectives

FEBOPI has the following objectives:

- Unite all the existing associations and organizations of small industrialists and production artisans, create new departmental associations, strengthen and develop small industry and productive artisanry.
- Study, suggest and promote policies and actions to develop technological enhancement, strengthening and development of the sector.
- Encourage Government of Bolivia (GOB) entities to develop a permanent policy toward the development of the sector.
- Cooperate with other organizations to look for mutual benefits in relation with labor, social, technological, and energy policies that affect small industry and artisan production.
- Expedite the use and facilitate the creation of financial systems for the sector.
- Support the ADEPIs in the training of administrators, technicians and workers in the sector.
- Maintain relationships with production, distribution and marketing organizations and support the ADEPIs in marketing activities.
- Provide assistance to its affiliates.
- Represent the affiliates and the sector in general before private and public entities regarding economic, industrial labor, technological, social and energy policies.
- Promote the creation of research organizations.

## 3. Current Activities

FEBOPI helped in the organization of the ADEPI Credit Unions in La Paz, Cochabamba, Santa Cruz, Chuquisaca and Tarija.

FEBOPI was elected to the Presidency of the Confederación Andina de Pequeñas y Medianas Industrias.

FEBOPI helped to draft a Small Industry and Production Artisanry Draft Law.

Credit lines and guaranty funds for the metal-mechanic sector were obtained from FUNDES, Switzerland through INASET.

### III. GOAL, PURPOSE, AND STRATEGY OF THE PROGRAM WITH FEBOPI/ADEPIS

#### A. The Goal

The MSED Project and the Program with FEBOPI and its associated ADEPIS will contribute to three Government of Bolivia (GOB) and USAID/Bolivia objectives: (1) strengthened private sector institutions, (2) economic development, and (3) more equitable income distribution. The Goal of the Project is to promote rapid and sustained economic growth in Bolivia.

The Project addresses these goals by encouraging expanded productive activity, output and profitability in micro and small-scale enterprises. This will have the effect of creating and maintaining jobs for the poorer sectors of the society and of increasing the real income of owners and employees of small businesses participating in the Project.

The Project lays the foundation for long-run stability and prosperity in the small-scale enterprise sector by strengthening institutions that provide key support services to the sector and by fostering effective relationships between businesses and formal financial institutions. Because of the large number of women involved in this sector, as owner-operators and employees of small-scale enterprises, the Project also supports AID's commitment to women in development.

#### B. Purpose

The Purpose of this Agreement is to stimulate the long-term, stable growth and development of Bolivia's small-scale enterprise sector. This will be attained by improving the support services -- specifically training and technical assistance -- provided to the sector by FEBOPI and the ADEPIS. Successful accomplishment of this Agreement's Purpose, therefore, is measured both in terms of the establishment of self-sustaining, improved services in FEBOPI and the ADEPIS and in the improvements of small-scale enterprises benefiting from this Agreement.

#### C. The Strategy

The Project will support the achievement of three overall objectives with FEBOPI and its affiliated ADEPIS: strengthening FEBOPI/ADEPI system institutionally, establishing/strengthening selected programs, and strengthening individual ADEPIS institutionally. FEBOPI and its affiliated ADEPIS will achieve these objectives with the

cooperation of the technical assistance to be provided by A.I.D. through a Cooperative Agreement with the World Council of Credit Unions (WOCCU) (described in Section IV.A. of this Attachment).

1. Strengthen FEBOPI/ADEPI System Institutionally

The following tasks will be accomplished jointly by FEBOPI, ADEPIs and WOCCU.

a. Strategic Planning. Review the strategic planning process, substance, and implementation; consider expansion of system. On the basis of the strategic plan, prepare the operational plan(s) required for implementation over the life of the project. Develop mechanisms for evaluating proposals from other donors which would add programs to FEBOPI and/or channel funds through FEBOPI to determine conformity with strategic plans and develop mechanism for integrating and managing programs which are accepted.

b. Services. Within the context of the strategic plan, define which services the ADEPIs can successfully implement, considering its role as an organization representing the interests of its members; define the role of FEBOPI in supporting the ADEPIs in the provision of these services; and define what additional services FEBOPI could provide.

c. Administration. Review the organic structure of the ADEPIs and FEBOPI and prescribe improvements. Review financial and administrative manuals and procedures and develop improved systems where appropriate. Develop a personnel training and development system (utilizing the services of the Instituto para el Desarrollo de Empresarios y Administradores (IDEA), if possible) and assist in its implementation.

d. Information and communications. Develop an institution-wide information and communication system. The system will also provide the information required for the proper management of each sub-program.

2. Establish/strengthen Specific Programs

The following tasks will be accomplished jointly by FEBOPI/ADEPIs and WOCCU.

a. Technical Assistance and Training

A technical assistance and training capability in the FEBOPI/ADEPI system will be established:

(1) The technical assistance will help establish that an important role of the ADEPIs is to have direct contact with the beneficiary enterprises and be responsible for identifying, selecting and supporting local beneficiaries. Also this capability will help ADEPI to coordinate other training, technical assistance and technical loan servicing support and to provide technical assistance for members such as:

Improved business skills and practices (especially in the areas of production technologies, product mix, inventory management, production scheduling and marketing) among the small-scale entrepreneurs assisted by the program. Noticeable changes (measurable in an evaluation) are expected to occur in at least 75% of assisted businesses, and

Increased ability to develop feasible business plans among the small-scale entrepreneurs assisted by the program. At least 50% of the small-scale enterprises assisted by the program should be operating with some type of business and investment plans.

Identification of training needs of the members, subsequently coordinating and/or offering training courses to meet those needs. (In some cases the ADEPIs would themselves sponsor the courses. In others, the ADEPIs would coordinate, send members to, or subcontract with existing local training organizations such as IDEA and INASET). The training courses will include basic accounting, finance, inventory management, working capital management, production, marketing, administration, personnel management and investment project development.

Assistance in developing a marketing and financial plan leading to self-sustaining training courses and technical assistance, and develop a capacity for technical supervision (monitoring) of production and marketing to assure that the business plans are being executed properly.

(2) Resources through this agreement will help develop the capability within FEBOPI to assist the ADEPIs by establishing a consultant/trainer management system. Such a system will include processes for identifying and selecting consultants, the development of formats for writing scopes of work, the installation of a system for arranging logistics, the creation of methods for proper management and payment, the development of procedures and instruments to evaluate consultant/trainer performance, the development of a computerized consultant/trainer roster, and the design of plans to market T/A and training services.

#### b. Analytical Unit

An analytical unit capable of performing marketing and policy analysis will be established in FEBOPI in order to develop:

##### (1) Policy Analysis

A clear sector position on and recommendations for improving government policies and other constraints to effective small-business development in Bolivia.

An institutionalized ability to diagnose policy and non-policy problems confronting the micro and small business sector.

This analytical unit will contract studies with local research facilities within the framework of a research plan consistent with the research being undertaken by the SFM Project. The activities will focus on such areas as registration processes for new enterprises, regulations affecting small-scale enterprises, import/export policies, labor laws and business costs, and price and tax policies.

Another important activity will be to develop the capability of engaging the Government of Bolivia in an on-going dialogue to effect policy reform favorable to micro and small-scale enterprise and to develop a working relationship with the policy unit which will be set up in the Confederación de Empresarios Privados.

## (2) Other Research Activities

Of equal importance to the improvement of small-scale enterprises in Bolivia is business-oriented research aimed at either particular types of enterprises or problems. Market analyses and competition analysis, for example, will probably have a greater beneficial impact on the sector than policy analysis per se.

There is sufficient capacity in Bolivia -- through SIIP, INASET, or others to carry out this activity without having to develop a capacity in a new or existing institution. Specific studies would be contracted as necessary from existing institutions. Among the studies that have been identified as having particular relevance for the sector are the following:

Market Problems in the Leather and Shoemaking Sector. This study should explore the nature of competition and market saturation in the shoemaking sector and make recommendations for market segmentation, product differentiation or market expansion for the sector.

Market Problems in the Furniture Sector. This study would explore the nature of competition and market saturation in the small-scale furniture making sector and make recommendations for market segmentation, product differentiation or market expansion for the sector.

Market analysis of the micro/small entrepreneur client base to further determine credit demand and the potential for increasing the participation women-owned enterprises in the project.

## 3. Strengthen ADEPIS Institutionally

The Program will help develop the capability within the ADEPIS to establish a strategic planning process and an effective program for ADEPIS to market their services to Small Businesses. Also it will help to improve the organizational structure, finance and personnel deployment and establish financial and organizational procedures and manuals, as well as capacity to review and strengthen recruitment procedures and human resources development planning.

The Program will result in increased, self-sustaining institutional support for small-scale enterprises in the areas of business planning, business plan analysis, credit and risk management, technical support, training and technical assistance, particularly through the departmental ADEPIs. These institutions should have financially self-sufficient sections with full-time, paid staff providing on-going technical assistance and training to beneficiary enterprises and should be capable of coordinating and/or sponsoring a wide range of specialized training and technical assistance services,

A membership development capacity will be developed which will help in evaluating, improving and expanding the services offered to members in addition to recruiting a broad membership. In addition, assist in the development of effective communications and public relations programs.

#### IV. PROGRAM RESOURCES

FEBOPI and A.I.D. will contribute resources to accomplish the goal and purpose defined in Section III. They will include technical assistance, training, commodities, and operational support.

##### A. Technical Assistance

A.I.D. will negotiate a separate Cooperative Agreement with the World Council of Credit Unions (WOCCU) to provide technical assistance to FEBOPI and the affiliated ADEPIs. The Latin American Federation of Credit Unions (COLAC) will assist WOCCU as a "subcontractor." WOCCU, under the Cooperative Agreement, will place a Team Leader/Overall Project Coordinator in FEBOPI for a period of four years. He/she will work with FEBOPI in reviewing, and if necessary revising, the strategic plan for the system. He/she will then work with FEBOPI to prepare specific operational plans for the implementation of this Cooperative Agreement between A.I.D. and FEBOPI. Subsequently, he/she will be in charge of providing the technical assistance specified in the operational plans.

The Overall Project Coordinator is expected to be detailed to work mainly assisting FEBOPI and its affiliated ADEPIs - at least 80 percent of the time through the FEBOPI office in La Paz. In the event this person does not have the skills or the time to provide technical assistance in a particular area, he/she can call on approximately 18 person months of short term technical assistance.

The WOCCU Cooperative Agreement will provide access to short term technical assistance in all areas required to meet the Section III goals and purpose. The WOCCU Team Leader/Overall Project Coordinator will have considerable experience in small business support. He will be based in the FEBOPI headquarters for a period of 48 months. The short term technical assistance will be available for a total of 18 months. None of this assistance is financed under this Cooperative Agreement between FEBOPI and A.I.D..

Technical assistance to FEBOPI and the ADEPIs will be provided on specific subjects in order to develop a technical capability to provide needed business analysis and other support services to member businesses within a specialized technical assistance department in each ADEPI. Specifically, the objectives of the technical assistance would be to develop the following capabilities and services within the ADEPIs:

- \* Operational and financial analysis of businesses,
- \* Business plan development assistance,
- \* Technical assistance skills and capabilities in financial management, inventory management, marketing, product planning, market analysis, etc.;

In addition, limited technical assistance would be provided to the ADEPIs to assist in improving their internal accounting, financial planning and operating systems.

Finally, technical assistance resources will also be used to help FEBOPI and the ADEPIs conduct policy research and analysis in coordination with policy analysis activities of the SFM Project. This would include formulating a research plan consistent with the strategy of the SFM policy analysis activities and identifying appropriate experts (either inside or external to the credit union movement) to conduct the studies. The research topics and efforts will be coordinated by the SFM Project to develop cohesive private sector policy recommendations for presentation to the Bolivian government to modify policies to make them more supportive of the private sector, including small-scale enterprises and credit unions.

## B. Training

### 1. Training of Small-entrepreneurs

The training and technical assistance requirements of the small-scale enterprises that belong to the ADEPIs are substantially different from those of the micro-entrepreneurs. Generally, small-scale enterprises have formal accounting systems, understand the financial implications of inventory management, and understand the issues of competition, pricing and market segmentation. Their needs for training and technical assistance tend to be more specific and refined than those of micro-entrepreneurs.

Accordingly, the ADEPIs would be responsible for identifying training needs of their members and coordinating (if not actually offering) training courses to meet those needs. In some cases the ADEPIs would themselves sponsor the courses. In others, the ADEPIs will coordinate and subcontract for training for small-scale entrepreneurs with the National Institute for Social, Economic, and Technical Assistance (INASET), IDEA and others. Attendance would be

voluntary. By the start of the second year of this Agreement, each ADEPI is expected to sponsor or coordinate a minimum of 25 courses per year, with at most 25 participants per course.

The training courses will include basic accounting, finance, inventory management, working capital management, production improvements, marketing, administration, personnel management and investment project development.

Training can also consist of special fellowships to IDEA courses, or to bring specialized services from abroad to participate in courses of interest to particular sectors -- such as export market expertise.

## 2. Training of ADEPI Staff

The present Cooperative Agreement will also reimburse FEBOPI for the contracting of certain types of training for ADEPI personnel. Training and technical assistance will be provided to the managers and staff of the ADEPIs participating in this Agreement.

The training activity is designed to complement technical assistance so as to increase the skill levels of FEBOPI and ADEPI employees. The following formal training programs are envisioned:

- \* Financial and operational analysis of businesses, for technical department staffs,
- \* Business plan development techniques, for technical department staffs.

In addition to formal training for staff members of FEBOPI/ADEPIs, this Agreement provides for invitational travel to permit learning from similar experiences in other countries. This experience is particularly important for the ADEPI staff members, as there is no cadre of experienced individuals in the organizations. Besides offering an opportunity to learn from established programs, the participant training for ADEPI personnel will offer the opportunity to explore export market possibilities and requirements. Four trips per year are scheduled for each year of this Agreement.

## C. Commodities

The acquisition of certain commodities will be financed under this Cooperative Agreement. They consist primarily of office furniture and equipment (including desks, chairs, filing cabinets, desk calculators, typewriters, and photocopying machines, etc.) for personnel hired by the various institutions to implement this Agreement.

Office furnishings will be procured directly by the participating entities following the standards specified in the appropriate standard provisions to this Cooperative Agreement. Contracting procedures (advertising, evaluation, award) will be reviewed and approved by USAID before the contracts are signed. The following entities will purchase office furnishings.

- FEBOPI, for the unit that will manage the project.
- the ADEPIs.

D. Operational support

1. USAID

Operational support funds will help FEBOPI/ADEPI establish service capabilities, offset operating losses during Project start-up (until income from member dues and loan and educational activities is sufficient to cover operating expenses), and to fund special activities necessary for the success of this Agreement. Specifically, operating support will cover:

- \* operating expenses until revenues from the loan programs cover the costs of the technical units,
- \* subsidizing, at least initially, training costs for ADEPI members.
- \* specific studies related to policy and other constraints to small enterprise development.
- \* special workshops or other forms of disseminating the results of market studies and others to small entrepreneurs.

2. FEBOPI

Regular supervision, auditing, training, and technical support of the ADEPIs will be handled by the staff being supported by this Agreement.

FEBOPI will provide office space for the Overall Coordinator and temporary office space for the short-term technical consultants. FEBOPI also will allow limited official use of any FEBOPI vehicles by the long- and short-term advisors.

3. The ADEPIs

FENACRE and FEBOPI/ADEPI will sign an agreement by which the ADEPI credit union system will collect a technical assistance fee (currently estimated at 2.25%) on each loan. These funds will be

transferred to the ADEPIs to cover the costs of offering services to and representing the interest of the association's members. The percentage to be charged will be reviewed periodically and is expected to decrease as the number of ADEPI-affiliated borrowers increases.

Costs for technical assistance and training will initially be partially subsidized by this Agreement if deemed appropriate during Project implementation and on a case by case basis following analysis of each situation. As the educational component of this program grows, the fee charged for the courses will fully reimburse the ADEPI's for these services.

## V. PROGRAM RESULTS

### A. Program Benefits

The proposed Program is expected to contribute significantly to the development, expansion, and stability of micro and small enterprises in Bolivia. These contributions will be realized on both the micro-economic level and on the macro-economic level:

#### 1. Macro-economic Benefits

- Contribution to GDP growth and the economic reactivation process.
- Increase in micro and small enterprise employment.
- Contribution to the growth of the private sector.
- Increase in private sector investment.
- Increase in the number of micro and small enterprises.
- Decrease in the number of poor, unemployed urban Bolivians.
- Increased stability of the small-scale enterprise sector.

#### 2. Micro-economic Benefits

- Existing micro and small enterprises will become more efficient, profitable, and competitive.
- New micro and small enterprises will be started.
- Wealth of employees of micro and small enterprises will increase and/or stabilize.

- Increased number of small-scale enterprises will form relationships with formal financial institutions.

## B. Program Results

### 1. Institutional Development

a. At least five ADEPI's will have functioning technical assistance sections with trained staff capable of (a) identifying, screening and selecting small enterprise beneficiary businesses for possible credits through the system, (b) conducting analyses of small business and recommending improvements, (c) assisting small enterprises develop marketable business plans, and (d) providing on-going technical assistance and supervision to member businesses.

b. FEBOPI will have a staff capable of coordinating policy investigations geared towards the promotion of the small business sector. Its activities, including all personnel and administrative costs, will be financially sustained by the member ADEPIs. An on-going dialogue with the government will exist in order to encourage appropriate laws based on the lessons learned during the policy investigations.

### 2. Research and Analysis

a. A research and analysis capability will have been developed in FEBOPI.

b. A specific series of policy research studies will have been conducted in coordination with the Strengthening Financial Markets (SFM) Project, identifying legal and other impediments to micro and small-scale enterprise business operations and development, and recommending improvements to the GOB through the mechanisms established by the SFM Project. Another series of studies will have been conducted to determine strategies in confronting non-policy constraints on the micro and small enterprise sector.

### 3. Other

a. Monitoring and evaluation data will be maintained, analyzed, and used to improve the effectiveness of the program.

b. At least 2,000 small-scale entrepreneurs will have received training in basic business and management coordinated by the ADEPIs. By the start of the second year of this Agreement, each ADEPI will be sponsoring a minimum of 25 training courses per year, with at most 25 participants per course.

## VI. IMPLEMENTATION

### A. Responsibilities

FEBOPI, utilizing its own resources and other resources donated by A.I.D. and the Government of Bolivia (GOB), as described in this Cooperative Agreement, will be responsible for achieving the objectives described in Section IV of this Attachment.

A.I.D. will be responsible for the timely and competent delivery of the services and commodities described in Sections IV of this Attachment. A.I.D. will also be responsible for the timely disbursement of funds committed in this Cooperative Agreement.

The GOB will be responsible for the timely disbursement of its funds committed under this Agreement Agreement.

### B. Coordination with other elements of the MSED Project.

#### 1. Coordination Committee

A Project Coordinating Committee will be formed and will be composed of representatives of FEBOPI, PRODEM, FENACRE, the Overall Project Coordinator, the Credit Union Specialist, the AITEC Advisor and the USAID Project Manager. This Committee will address issues of overall project implementation, coordinate the delivery and use of technical assistance, provide an exchange of ideas, and to ensure the approaches taken in each component are consistent and compatible with each other.

#### 2. Policy, Marketing and other Studies

The MSED project will help establish a capability to undertake policy, marketing and other studies within FEBOPI.

Implementation of this component will be managed and coordinated by the USAID Project Manager and the Overall Advisor who will be located mostly in the FEBOPI Office.

The planned research activities fall into two types: (1) policy research and analysis, and (2) market-related and practical business studies.

##### a) Policy Research and Analysis

Policy seminars conducted under the direction of the SFM Project will identify and prioritize the major legal and other policy impediments to the growth of the private sector. This will establish the private sector's policy agenda, and provide a framework to guide policy research efforts affecting the various subsectors of the private sector -- banks (ASOBAN), savings and loan associations (CACEN), credit unions (FEBOPI), large-scale enterprises (CEPB), and small-scale enterprises (FEBOPI-INASET).

Policy research and analysis through FEBOPI will take the form of determining the impact of the various elements of the policy agenda on the specific institutions (credit unions or small-scale enterprises in this case), identify actions that would mitigate the negative impact and develop policy recommendations reflecting the interests of the subsector. Assistance will be given by this Agreement for training staffs within the two institutions for carrying out the specific analyses required by the policy agenda. The Project will also provide funds to contract specific studies through other local research institutions. The results of these studies will be used by FENACRE, PRODEM, FEBOPI and other relevant institutions to dialogue with the GOB on policies which should be implemented or modified to promote the sustained development of the micro and small enterprise sector.

A primary focus for policy research related to the problems and constraints of small enterprise development will be on the high cost of operating a business in Bolivia. A series of factors--policy, structural and technical--have created a situation in which local manufacturers cannot compete with imported products (whether imported legally or as contraband). The policy research component will attempt to determine rational alternatives to address this situation.

Because the Policy Research Component of the Strengthening Financial Markets (SFM) Project focuses on the formal sectors and the equivalent component of the Micro and Small enterprises (MSED) Project focuses on the informal sector, special care will be taken to assure complementarity of efforts. Although policy analysis seminars will be directed by personnel of the SFM Project, policy research related to identified MSED policy constraints will be carried out by technical assistance provided to FEBOPI, with the participation of PRODEM and FENACRE. The research topics and efforts will be coordinated by the SFM project to develop cohesive private sector policy recommendations for presentation to the Bolivian government to modify policies to make them more supportive of the private sector, including small-scale enterprise.

Policy research and analysis will examine the constraints to growth on the micro and small-scale enterprise sector, identify actions that would mitigate these negative impacts, and develop policy recommendations reflecting the interests of this subsector.

Among the policy-related topics that have been identified as requiring special attention are:

- \* the amount of time and cost required to register new businesses in Bolivia,
- \* the number and types of regulations pertaining to small-scale enterprises,

- \* import and export policies, including duties on raw materials,
- \* labor laws and their impact on the cost of business,
- \* price control policies at the municipal level,
- \* taxation, and
- \* control of contraband.

Other topics are expected to be developed in close coordination with the SFM Project before any individual research effort gets under way.

#### b) Market Related Studies

Of equal importance to the improvement of small-scale enterprises in Bolivia is business-oriented research aimed at particular types of enterprises or problems. Market analysis and competition analysis, for example, may have a greater beneficial impact on the sector than policy analysis per se.

### 3. Use of Existing Research Institutions

Sistema de Información Industrial Privado, Instituto de Asistencia Social y Económica Tecnológica, Catholic University or others will be used to carry out research, thus eliminating the need to develop a duplicate capacity in a new or existing institution. Specific studies will be contracted as necessary from these existing institutions.

#### C. Implementation Schedule

The steps listed below cover the first six months of activity under the program. This is essentially a planning and prequalification period leading to the disbursement of funds. Although the steps are listed sequentially, most will be occurring simultaneously. Exact dates and scheduling will be developed during the first month the consultant teams are active. Implementation after the first six months will depend on action plans developed during this phase.

<u>Step</u>	<u>Action</u>
Step 1	Negotiate and sign Cooperative Agreement specifying the commitments and responsibilities of FEBOPI and USAID.
Step 2	Bid and sign technical assistance contracts.
Step 3	Contractors initiate technical assistance activities.

- Step 4 Contractor and FEBOPI develop work plans and schedule for the first phase of activities.
- Step 5 FEBOPI hire ADEPIs staff, develop regulations and procedures, and equip facilities.
- Step 6 Contractors, FEBOPI and USAID plan and procure commodities for the program.
- Step 7 Contractors, FEBOPI and USAID develop and approve work plan and short-term technical assistance plan.
- Step 8 FEBOPI trains ADEPI managers at IDEA or other suitable management training institute.

Subsequent activities are dependent upon the work plans and schedules developed in Step 7, with the exception of scheduled evaluations and audits.

#### D. Accounting and Disbursement

The disbursement system includes measures to ensure the systematic and timely flow of project funds. The system will provide for advances of A.I.D. local currency funds and counterpart local currency funds to be deposited as they are generated into special project bank accounts to be maintained by FEBOPI. FEBOPI will be responsible for disbursing funds from the special accounts in accordance with quarterly budget approvals by USAID. FEBOPI will submit a 12 month implementation plan setting forth administrative costs in Bolivianos including salaries, office rent, office equipment and materials, etc. A.I.D. will approve the plan through a Cooperative Agreement Implementation Letter. This Plan should contain all information necessary to implement this Agreement. As a minimum it should include: (1) monthly schedule of salaries and other recurrent costs and (2) a procurement schedule for the purchases of office equipment, supplies, etc. USAID/Bolivia dollar payment for technical assistance, international training, purchase computers will not be made through the special accounts, but directly to suppliers.

### VII. PROGRAM MONITORING, EVALUATION, AND REPORTING

#### A. Program Monitoring

This section sets forth the procedures for monitoring program performance under this Cooperative Agreement. The program monitoring plan is designed to assure the timely progress and accomplishment of the Program, collect the data necessary for the evaluation of the Program and ensure appropriate implementation of the Program.

20'

## 1. Management of the Monitoring Function

Recipient shall monitor the performance under this cooperative agreement and ensure that time schedules are being met, projected work objectives by time periods are being accomplished, and other performance goals are being achieved. Such a review shall be made for each program, function, or activity of this cooperative agreement as set forth elsewhere in this document. The Program monitoring function will be coordinated by the USAID/Bolivia Private Sector Office.

Direct responsibility for developing, installing and administering the Program monitoring system will be with the Overall Program Coordinator (Chief of Party, WOCCU). Implementing the Program monitoring system will be the responsibility of FEBOPI and the local ADEPIs. These institutions will have responsibility for the accurate and complete collection and processing of the information. FEBOPI will need to hire new staff members to manage the funds. It will also need new office equipment, including a new computer system, to handle the accounts and reporting requirements of the Program.

The USAID Project Manager shall make site visits as frequently as practicable to:

- a. Review program accomplishments and management control systems, and
- b. Provide such technical assistance as may be required.

Each month the monitoring system will produce a standard set of reports summarizing the progress and problems encountered by the project. An output file will be produced each month by each participating intermediary and sent to the Overall Program Coordinator of the technical assistance team for consolidation and analysis.

## 2. Design and Development

The Program monitoring system will be designed as an integrated information system. Its implementation will be spread out among the participating institutions, while overall management and analysis will be centralized in the office of the Overall Program Coordinator and the USAID/Bolivia Program Manager. Information used by cooperating institutions--FENACRE for the credit unions, FEBOPI for the ADEPIs, and USAID/Bolivia--will be derived from the institutions that have primary responsibilities for interacting with the clients.

Short-term consultants will help design and develop the specifications for the monitoring system, plan the content and format of the data collection forms that will be used, and assist in monitoring the installation of the systems in the various entities. The short-term technical assistance will also assist in planning the integration of the data collection forms with data from the financial data systems of the intermediaries, and to develop the external design of the computer programs necessary to support the monitoring activity at each level.

### 3. Data Requirements

The Monitoring System requires the regular and systematic collection of data on the following key indicators for this Agreement:

#### Participating Businesses

- \* Identification data (including name, address, RUC or Carnet No., type of business, etc.)
- \* Assets (including total assets, fixed assets and equipment.
- \* Income and expenses (including gross sales, salaries and wages, taxes and net income)
- \* Number of employees, full-time and projected
- \* Personal data (sex of owner, role of spouse and other family members in business)
- \* Financial Statements - Balance Sheet, Income Statement, Cash Flow
- \* Changes in employment, investments in assets, working capital and inventory, net profitability, sales, salaries and wages paid, cost of production.
- \* Employment of women and support of women-owned or managed enterprises.
- \* Accomplishment of Project objectives of self-sufficiency of the intermediary institutions, and adequacy of institutional support for the activity.
- \* Accomplishment of output targets in terms of training, and technical assistance.
- \* Project statistics (such as number of people trained, number of training applications received, etc.)

#### B. Program Evaluation

There will be at least two independent evaluations of this Agreement. The first evaluation will focus on preliminary impact and performance indicators, and will be used to validate the basic strategy and approach of the program and to recommend modifications in the strategies during the latter part of this Agreement. It will take place at mid-term.

Data required for the evaluation will be planned during the first semester of this Agreement. Standard record keeping forms will be designed, and relevant evaluation data will be collected and maintained by FEBOPI concerning their respective elements of the program.

Specific concerns to be addressed by the mid-term evaluation include:

- \* Performance of the institutions implementing this Agreement,
- \* Progress toward accomplishment of outputs and purpose,

The second evaluation will be an end-of-project evaluation focussing on lessons learned, Project impact, and the sustainability of Project results. It will take place four months prior to the scheduled completion date of this Agreement.

#### C. Program Audits

There will also be two external audits during the life of this Agreement. These will be contracted to local auditing firms. The first audit will take place during the second half of the second year of this Agreement. The second audit will be performed during the fourth year.

#### D. Program Reports

##### 1. Financial Reports

FEBOPI will present quarterly financial status reports to USAID/Bolivia. These reports will be on a cash basis and should include mainly the funds received in advance, the balance available, on accounting for any cash disbursement (training expenses, travel expenses, purchase of equipment, etc.) previously approved by A.I.D. charged to the grant during the reporting period.

FEBOPI will also report any income (service charges, etc.) collected during the reporting period and all in-kind contributions made by the private sector participants during the same period of time.

##### 2. Occasional Reports

FEBOPI will report to A.I.D. on any and all operational matters A.I.D. may request.

##### 3. Technical Reports

Recipient shall submit a technical report that briefly presents the following information for each function, or activity involved:

a. A comparison of actual accomplishments with the goals established for the period.

b. Reasons why established goals were not met.

c. Other pertinent information including, when appropriate, analysis and explanation of cost overruns or high unit costs.

Recipient shall submit the technical report and the Financial Status Report quarterly and to cover the same period.

A final technical report after completion of the project is also required.

Between the technical reports events may occur that have significant impact upon the program. In such instances, the recipients shall inform USAID as soon as the following types of conditions become known:

a. Problems, delays, or adverse conditions that will materially affect the ability to attain program objectives, prevent the meeting of time schedules and goals, or preclude the attainment of work objectives by established time periods. This disclosure shall be accompanied by a statement of the action taken, or contemplated, and any USAID assistance needed to resolve the situation.

b. Favorable developments or events that enable time schedules to be met sooner than originally projected.

If any performance review conducted by the recipients discloses the need for change in the budget estimates, the recipients shall submit a request for budget revision.

3332n