

PD-ABA-972
(4-35)

AGENCY FOR INTERNATIONAL DEVELOPMENT PROJECT DATA SHEET	1. TRANSACTION CODE <input type="checkbox"/> A = Add <input checked="" type="checkbox"/> C = Change <input type="checkbox"/> D = Delete	Amendment Number 4	DOCUMENT CODE 3
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2. COUNTRY/ENTITY BOLIVIA	3. PROJECT NUMBER 511-T-067 511-0543
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4. BUREAU/OFFICE LAC <input type="checkbox"/> 05	5. PROJECT TITLE (maximum 40 characters) CHAPARE REGIONAL DEVELOPMENT
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6. PROJECT ASSISTANCE COMPLETION DATE (PACD) MM DD YY 08 31 91	7. ESTIMATED DATE OF OBLIGATION (Under 'B' below, enter 1, 2, 3, or 4) A. Initial FY <input type="checkbox"/> B. Quarter <input type="checkbox"/> C. Final FY <input checked="" type="checkbox"/> 91
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8. COSTS (\$000 OR EQUIVALENT \$1 =)						
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	2,000	1,850	3,850	18,713	10,517	38,500
(Grant)	(2,000)	(1,850)	(3,850)	(12,579)	(13,421)	(26,000)
(Loan)	()	()	()	(6,134)	(6,366)	(12,500)
Other U.S. 1.						
Other U.S. 2.						
Host Country		1,360	1,360	--	34,747	34,747
Other Donor(s)				--	11,000	11,000
TOTALS	2,000	3,210	5,210	18,713	56,264	84,247

9. SCHEDULE OF AID FUNDING (\$000)									
A. APPROPRIATION	B. PRIMARY PURPOSE CODE	C. PRIMARY TECH. CODE		D. OBLIGATIONS TO DATE		E. AMOUNT APPROVED THIS ACTION		F. LIFE OF PROJECT	
		1. Grant	2. Loan	1. Grant	2. Loan	1. Grant	2. Loan	1. Grant	2. Loan
(1)	253B	210	210	13,820	12,500	12,000	--	26,000	12,500
(2)									
(3)									
(4)									
TOTALS				13,820	12,500	12,000		26,000	12,500

10. SECONDARY TECHNICAL CODES (maximum 6 codes of 3 positions each) 140 150 070 240 210	11. SECONDARY PURPOSE CODE
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12. SPECIAL CONCERNS CODES (maximum 7 codes of 4 positions each) A. Code B. Amount

13. PROJECT PURPOSE (maximum 480 characters)

The purpose of the Chapare Project is to modify and improve the agricultural and forestry systems of farmers in the Chapare and AHV regions of the Department of Cochabamba to respond better to diverse, profitable marketing opportunities provided under sustained, environmentally compatible, medium technology production models.

14. SCHEDULED EVALUATIONS Interim MM YY MM YY Final MM YY	15. SOURCE/ORIGIN OF GOODS AND SERVICES <input type="checkbox"/> 000 <input type="checkbox"/> 941 <input type="checkbox"/> Local <input type="checkbox"/> Other (Specify)
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16. AMENDMENTS/NATURE OF CHANGE PROPOSED (This is page 1 of _____ page PP Amendment)

The USAID Controller has reviewed the financial procedures described herein and hereby indicates his concurrence.

John R. Davison
 John R. Davison
 Controller

17. APPROVED BY	Signature H. Robert Kramer <i>H. Robert Kramer</i> Title Director a.i. USAID/Bolivia	Date Signed MM DD YY 03 29 90	18. DATE DOCUMENT RECEIVED IN AID/W, OR FOR AID/W DOCUMENTS, DATE OF DISTRIBUTION MM DD YY
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PROJECT AUTHORIZATION

AMENDMENT No. 4

NAME OF COUNTRY: Bolivia
NAME OF PROJECT: Chapare Regional Development
NUMBER OF PROJECT: 511-0543
NUMBER OF LOAN: 511-T-067

1. Pursuant to Section 103 of the Foreign Assistance Act of 1961, as amended, the Chapare Regional Development Project for Bolivia was authorized on July 29, 1983, and subsequently amended on January 10, 1985, November 23, 1987, and February 16, 1989. That authorization is hereby further amended as follows:

The first sentence of paragraph 1 is deleted and the following sentence is substituted in lieu thereof:

Pursuant to Section 103 of the Foreign Assistance Act of 1961, as amended, I hereby authorize the Chapare Regional Development Project for Bolivia, involving planned obligations of not to exceed twelve million five hundred thousand United States dollars (US\$12,500,000) in loan funds ("Loan") and twenty-six million United States dollars (US\$26,000,000) in grant funds ("Grant") over an eight year period from the date of authorization, subject to the availability of funds in accordance with the A.I.D. OYB allotment process, to help in financing foreign exchange and local currency costs for the Project.

2. The amended authorization cited above remains in force except as hereby further amended.


H. Robert Kramer
Director a.i.

Date: 3/29/90

^{SA}
Drafted by: SAllen:3/28/90/rlca

CLEARANCES:

PD&I: JCloutier JC
CONT: JRDavison JM
ARD: CHash
DP: LDowning LD 3/29/90

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I. Background

The Chapare Regional Development Project was authorized in May, 1983 and a project loan and grant agreement was signed with the government of Bolivia (GOB) in August, 1983. From its initiation until late 1987, the project experienced serious delays in implementation resulting from civil unrest, security concerns, slow eradication progress, weak project management and a lack of enthusiasm on the part of Chapare peasants to participate in a program whose benefits were unclear to them. Prior to 1987, all project efforts were concentrated in the Chapare itself and overall progress was limited at best. By late 1987 it became clear the efforts to dissuade campesinos from cultivating coca must be broader than merely the Chapare itself. As a result, the area southeast of the Chapare, the associated high valleys (AHVs) was added as an area of project emphasis. It was assumed that many of those who had immigrated to the Chapare in recent years had in fact originated from the AHVs and that this new area could attract ex-coca growers who were enticed to leave the Chapare. Additionally, it was felt that areas within the AHVs had the potential to support the level of economic growth to allow it to become an alternative migratory destination for those who might otherwise go to the Chapare. Efforts in the AHVs have specifically targetted the southern region where economic growth potential is deemed to be high. Thus the Chapare Project was broadened geographically in November 1987 through PP Amendment No. 2 (Project Agreement Amendment No. 7).

Project progress is inextricably linked to eradication progress and the perceived level of GOB support and involvement. No project funded activities can compete with a coca price that is high due to an ineffective interdiction policy. Operation Blast furnace in 1986 and interdiction efforts since November, 1989 have clearly shown that when coca prices are low in comparison to the costs of production, that farmers will eradicate and willingly participate in project funded opportunities.

Since 1987 project activities in the Chapare have included credit delivery to farmers who have eradicated at least a portion of their coca, provision of genetic material, and community infrastructure in cases where communities have met eradication requirements. In the AHVs community based projects have been initiated in the areas of irrigation, agricultural nurseries, watershed, management and other community level activities. Credit delivery in the AHVs is about to begin.

Realizing the need to respond quickly to possible future eradication progress, USAID prepared a draft Project Paper Amendment in May 1989 which requested resources for a five year period to continue and expand project activities. It was clear that prior to approving a five year commitment to this activity, AID/W and USAID needed answers to such basic questions as which organizations would deliver credit in both the Chapare and the AHVs, assessments of the institutional capacity of the project's

key implementing entities, marketing potential of alternative crops, the project's relation to USAID's export promotion initiative, and indications of GOB support for eradication and interdiction. As a result it was decided that prior to the preparation of a design document for a five year period, efforts would be made to address or monitor these unknowns. An interinstitutional committee was set up to address credit issues. An evaluation will be conducted in June/July 1990 to review project progress to date, lessons learned and issues involved in the planned expansion of project activities beyond the AHVs. This PP Amendment is being prepared to continue to fund project activities during this period of investigation and evaluation. Its duration is approximately one year. A broader five year effort, the Alternative Development Project, will be designed in August, 1990 and will be the flagship project for USAID's efforts in this area for the medium term.

II. Progress to Date

A. Chapare

While the purpose of the Chapare program is to develop economical and sustainable crop alternatives to substitute for coca, institutions had to be created to carry out this work. It is in this area that the greatest achievements of the project in the Chapare have come. Two well equipped and functioning agricultural research stations have been built up to provide the solid scientific and technical foundation for alternative agricultural activities in the Chapare. The station at La Jota concentrates on annual crops, horticultural crops, and sustainable systems of managed inter-cropping adapted to the high rainfall and very acid soils of the area. The station at Chipiri concentrates mainly on livestock and pastures and their management in environmentally sound ways. These research facilities support an extension program which has had on the front lines some 85 campesinos who have at least begun eradicating their coca and themselves been trained and supplied planting materials for alternative crops under the project.

AID supported the development of these institutions by providing the usual package of technical assistance to and training for the staff of IBTA/ Chapare--the GOB institution that runs the alternative agriculture program in the Chapare. In addition, the project has constructed modest but very adequate laboratory, office and field buildings on these stations as well as additional living quarters for station personnel and dormitories for farmer/trainees. Water, electrical and communication facilities have also been provided by the project. Operating costs of the stations and staff salaries are provided by the GOB from PL-480 local currency generations.

In the early years of the project, efforts concentrated on improving the yields of traditional annual crops and seeking alternative crops, annuals and perennials plus forest species, adapted or adaptable to the unique environment of the Chapare. The program was able to demonstrate a near doubling at worst, of yields on the traditional crops such as corn, rice, common beans, soybeans, cow peas, and peanuts. Such non-traditional crops as macadamia, coconuts, coffee, cocoa, tumeric, achiote (*Bixa annote*), black pepper, cardamom, passion fruits, ginger, vanilla, and peach palm were successfully introduced as well as improved types of citrus, banana, papaya, coffee, and traditional annual crops.

Appropriate alternative technology packages (60 in total) have been developed for the seven micro-agroecological subregions of the Chapare area. Appropriate selections of these are on one or more of the 46 currently active production/demonstration units (UPDs). The UPDs are owned and operated by ex-coca growers who also serve as promoters of the alternative agriculture program in their home areas. In addition, the program is promoted in such extension activities as farmer field days, method and result demonstrations and special classes for people who may be considering eradicating their coca. Short courses are provided to those who have eradicated on the management of alternative crops/enterprises suitable for their farms.

In sum, much of the human and physical infrastructure to support alternative agriculture is in place in the Chapare. With the quantum increase in eradication and concomitant interest in alternative crops some expansion of extension and support staff is needed. Some of the labs have not been fully equipped and more cost effective means for supplying planting materials for alternative crops are needed.

Lessons Learned

The project in its initial years focussed on finding answers to the question of "what alternative tropical crops can be grown in the Chapare." Although the transportation and marketing constraints of the area were given some consideration in selection of crops to be tried, there does not appear to have been a concerted effort to focus on propitious niches in world or regional markets for tropical products when selecting cultivars to be tried. In addition to the crops mentioned above that have been successfully introduced others which were seen as promising have not proven capable of adapting to the Chapare environment (oil palm, mango and rubber); it is still early to say in the case of others (macadamia plants seem to do well but we have none in the Chapare proper that have reached the age to flower and set fruit).

Efforts in research have been hampered by intense pressure by the U.S. interest to, on the one hand, "find something that these folks will grow instead of coca" in the face of overwhelming economic and marketing obstacles and attempts on the other hand by the Bolivians in power to use the project's resources for their partisan political ends. Efforts to work out adaptability on farms and the mounting of more effective extension have been hampered by the security situation which has not permitted our T.A. people or even GOB employees to enter large areas - including some with the best soils and climatic conditions for alternative crops (and coca too'). For security reason as well, extension workers and field researchers have had to be back at their quarters well before dark limiting their ability to work in areas located some distance from the station.

With the recent drop in the price of coca leaf and general acceptance of the program by campesino leaders, greater freedom of movement and more interactive styles of research and extension are possibilities. Relocation of cattle and pasture activities from Chipiriri in the west of Bulo Bulu area in the east where most of the cattle producers are, may still be in order.

In the course of its evolution, new areas of emphasis have been added to the project in an attempt to induce farmers to eradicate their coca and switch to substitute crops. Illustrative of this is a credit program for coca growers whom have eradicated at least ten percent of that crop. The program was apparently introduced in response to a perception that the high cost of alternative planting materials prevented limited resource farmers from substituting for an established crop with low operating costs and an apparently reliable market for high investment cost crops with quite uncertain market prospects. Initial acceptance of the credit program by farmers was modest, at best and some political abuses were committed but the program in its first year (1989) came through in quite good shape - no payments had come due yet. The failure of the coca market in late 89 and early 90 has prompted an unanticipated increase in the demand for loans while the cash to fund the loans was expected to come from reflows of earlier emergency credit programs. For a variety of reasons, which anyone familiar with such program could anticipate, these reflows have not materialized and thus resources to meet loan demand have not been forthcoming. Only by the use of extreme political pressure at the highest levels has the credit program been maintained (The experience with the funding for payment by the GOB of the \$2,000 per hectare for coca eradicated has been similar). The unwisdom of having a perceived critical element of a program subject to resource availability from outside the project's control is clear.

While there are still those who would believe that there exists some miracle crops that could replace coca and others who claim it is a sacred plant and its cultivation will be defended forever and to the

death, etc. It has now been demonstrated that simple, sophomore economics remains a reliable guide of coca grower behavior. Coca is a lot less sacred at Bs. 30 per carga (110 lbs) than it was at Bs. 175. It is farmer expectations of the relative costs and returns that influence their decisions of whether or not to switch to an alternative crop. As long as the coca industry was flourishing and current farmgate prices (which farmers characteristically view as a good estimate of future prices) were high and payments were made on delivery, farmers were not interested in substitute crops. When the trade was disrupted by the war in Colombia and marketing uncertainties heightened by increased and more effective interdiction efforts by the Bolivian police, perceptions and behavior of farmers and local traffickers began to change. Increased risks of arrest and confiscation of products led the traffickers to delay payment for products until delivery of final product in consuming countries and subsequent payment. If the product was confiscated or lost, no payment was made. Price for coca products plummeted and uncertainties rose while the costs associated with these uncertainties were reflected back to the weakest player in the game -the farmer. Farmgate prices for coca leaf dropped even below the cost of picking and drying causing most commercial growers to let the leaves remain and the plants or drop naturally. Some family operators still picked a little and subsidized the trade by contributing their labor at little or no cost. Interest by farmers and their sindicato leaders in alternative crops rose to almost overwhelming proportions.

Alternative agricultural development is no different from straight "agricultural development"; it is overwhelmingly important to get prices right'.

Keeping expected coca prices low by effective, sustained interdiction effort focussed on the traffic is only part, and perhaps a more controllable part of the problem. The other is increasing, relative to costs, the expected prices of alternative products. Little effort has been exerted on this latter problem and not surprisingly, little if anything has been achieved. We have learned a few things though. Specialized or exotic products in a remote location don't necessarily create their own demand. Neither is the Bolivian private sector ready to take up the challenge of local, regional or worldwide marketing of such products - Particularly in the absence of solid marketing analyses and without a lot of hand holding. Although the Mission recently initiated a series of marketing studies through a "buy-in" to an AID/W centrally funded project (The AMIS project implemented by ABT Associates) much more emphasis must be given in the near future to identifying markets for alternative products and development of the human and physical infrastructure needed to produce the right quality and quantities of these selected products and get them to the right markets at the right time.

B. The Associated High Valleys (AHVs)

Because of its failure to bring about the desired changes in expected costs and revenues, the project in 1986 was perceived to be incapable of proceeding as planned. An evaluation recognized that the widespread involvement of the poor of Bolivia in production and processing of coca was not due exclusively to conditions in the Chapare. The traditional home areas of the people (Northern Potosí, Chuquisaca and the higher areas of Cochabamba) were going through a very difficult adjustment to the closure of any mines due to a collapse of the world tin market and the result of many years of ruthless exploitation of the land resource by a rapidly growing rural population. Increased vulnerability to drought coincided with the occurrence of a series of droughts increasing a long time tendency of these people to migrate. Lessened opportunities for migratory workers in Argentina where balanced by the appearance, much nearer to home, of real economic opportunities in coca growing and processing in the Chapare.

Recognition of these factors led to the design of a new major component of the project to test the thesis that improving the productivity of resources in the AHVs, improving the quality of life there, and providing opportunities for more near full time employment would reduce the flow of migrants from that area to the Chapare. It is recognized that the AHVs are just one of several areas in central Bolivia from which the Chapare migrants come. It was selected because it had the potential to provide a real alternative. The resource base, although badly degraded in most areas still held the prospect of responding to increased investment and improved management. Further, it was close enough to the Chapare to provide demonstrational impact and within a geographical area consistent with the project authorization and the operational area of the chief GOB coordinating institution, the Alternative Development Program of Cochabamba (PDAC). Some of the other home areas suffer from such a complete lack of income generating opportunities and such extensive resource degradation that no amount of development investment could turn them into the sort of alternative growth poles desired by the Mission and the GOB. An earlier study by CORDECO had identified the Distrito Sur, specifically the provinces of Mizque and Campero as having the potential to become alternative destinations for potential migrants. This assessment was based upon the central location of the town of Aiquile on the roads linking the major centers of southern Bolivia and the potential for irrigated agriculture in the vicinity of Mizque. It was clear to the designers that substantial investment in transport and irrigation infrastructure was needed along with major efforts to protect and restore the natural resource base and acquaint the farmers and livestock growers with more productive and sustainable production systems.

Work on improvement of the transportation system got underway rather quickly utilizing the National Road Service (SNC) in Cochabamba to undertake extensive improvements on the road from Angostura to Arani and continuing on to Mizque and Aiquile where connection is made to the principal (though unpaved) route between Sucre and Cochabamba.

Progress on other elements of the AHVs program was rather less speedy in getting off the mark. A Technical Assistance team was procured by an accelerate process to provide necessary support to building of institutions to support on a sustained basis the AHVS program. This team arrived in Bolivia in mid-January 1989 to find that the entire counterpart staff had been fired a fortnight earlier because of suspected loyalty to the then Subsecretary for Alternative Development. After a difficult period of settling in, the recall of the Chief of Party of the T.A. team and the final appointment of a new, very qualified and capable Technical Director in PDAC, things began a turn for the better. The release of funds in September 1989, to begin a series of high impact community works brought meaning to a forward thrust generated when the new government appointed a superbly qualified technician from the program to be the new Subsecretary for Alternative Development.

Other institution building efforts in the AFVs were the support and strengthening of a small integrated pest management program, PROCIPLA in Mizque and support to the extension efforts of a technical secondary school the Escuela Técnica Superior de Agricultura (ETSA) of the University Mayor de San Simón (UMSS) in Cochabamba. The work of PROCIPLA has pointed out the efficacy of control of many of the worst plant diseases and pest in the Mizque by low input methods, principally careful seed selection. Training of farmers on careful and non damaging use of only the necessary chemicals and sprays is another major emphasis of their program. PROCIPLA has been somewhat limited in an administrative sense by reason of its not being a recognized NGO in Bolivia. It has therefore had to depend on the Acción Rural Agrícola de Desarrollo Organizado (ARADO) as a link to PDAC for channeling funding support. The organization has matured considerably and now is in a position to push forward for independent existence by registering with the GOB and obtaining its personería jurídica.

The outcome in the case of ETSA has been placed in serious doubt by reason of the recent firing of the two professors who had organized and led the extension program in fruticulture and related multiple cropping systems in the Tarata area. Apparently faculty of ETSA do not have any responsibilities for activities other than teaching and by eliminating all the courses taught by these two professor they became redundant in terms of the University's mission and, despite their value to the project, could be discharged with impunity.

Future agreements with UMSS or any of its affiliated organizations must be carefully drawn to recognize participation in USAID financed development activities as legitimate and defensible faculty activities.

With only one quarter of a year's actual field experience with other NGOs it is too early to say anything about institution building in these cases.

Other than IBTA/Chapare described above, the project has worked primarily with three other GOB organizations -PDAC, SUBDESAL and SNC. As with all GOB organizations there are to varying degrees, subject to wholesale changes in personnel -particularly at the policy making level with each change in Government; likewise with some clerical positions. USAID has been fairly successful in avoiding change for purely political ends in professional staff trained by the project. Still, the vulnerability of even the professionals has had damaging effects on morale in recent terms. Capable professionals still seem to "not have their contracts renewed" in ways that appear whimsical to outsiders.

Despite these problems which are rooted in the lack of a civil service system in Bolivia, a functioning administrative and financial control system seems to have survived and even been strengthened since the change in Government last August. Of the GOB agencies with which the project has been involved SNC has probably the best claim of institutional success, given that it receives significant levels of support from the GOB which pays all salaries for staff assigned to project activities. The others -IBTA/Chapare, PDAC, and SUBDESAL are essentially supported totally by the project with Mission controlled local currencies. Given the overwhelming U.S. foreign policy interest in the program and the extreme pressure on the GOB budgetary resources this is not likely to change. It is fair to say that up to now the project has been viewed by both governments as a temporary measure associated with the so called drug crisis in the U.S., and institutionalization of the entities associated with alternative development was never a strong objective.

III. Project Amendment Description

The Chapare Regional Development Project Description is hereby amended to fund ongoing activities for an additional 10 months. The scope of activities remains entirely unchanged. The PACD is of August 31, 1991 remains unchanged. It is expected that the increase in funding currently being made available will allow funding for the continuation of project activities from approximately June, 1990, when current funding is expected to be exhausted, at least to March 31, 1991. At that time USAID and the GOB expect to have developed and agreed upon a follow on project to the Chapare Project. The total expected amount of funding to be made available through this amendment is \$12 million, subject to the availability of funds. At this time a total of \$9.8 million is being made available.

The activities to be funded will include operations for and sub-grants from the Program for the Alternative Development of Cochabamba (PDAC). Operational costs are for the PDAC staff based in Cochabamba. The sub-grant program, located entirely in the Associated High Valleys, consists of funding and support for community level projects such as irrigation systems, reforestation and watershed management, and small infrastructure, and the operation of an integrated pest management center. Costs will include small construction, feasibility studies, and training.

The Bolivian Institute for Agricultural Technology (IBTA) continues to provide technical assistance and extension services to farmers in the Chapare, concentrating on those who have recently eradicated their coca. IBTA has provided a significant amount of genetic material to Chapare farmers in the past two years, although this form of assistance has proven to be expensive. It will continue, but on a scaled down basis. Many of the IBTA costs are for the La Jota and Chipiriri research stations in the Chapare and for its general operations in Cochabamba. In addition, training of farmers and personnel will continue to be emphasized.

The National Roads Service (SNC) continues to be responsible for all new road construction, repair, maintenance, and overseeing related construction, such as bridges, in both the Chapare and the AHVs. The amount of funds expected to be necessary for the purchase of equipment, principally spare parts and small machinery, totals only \$400,000. The Japanese International Assistance Agency (JICA) has granted to CORDECO road construction equipment worth approximately \$1.0 million for use in the AHVs. The project will therefore use funds that would have been required for that equipment for the maintenance of that and other equipment for an even larger road construction and maintenance effort in both the Chapare and the AHVs. Other costs for SNC include personnel and general operations and a small amount for training.

The maintenance of the USAID office in Cochabamba requires funding for the ongoing technical assistance contracts with DAI, which assists PDAC in the AHVs, and Experience Inc., which assists IBTA/Chapare. The manpower levels will remain unchanged. Other costs include USAID's staff and office operations. A Personal Services Contractor, responsible for the overall management of the office, is currently being recruited and should be in place by May, 1990.

The key outputs expected from the above project implementing agencies during this period of funding are as follows:

A) PDAC outputs in the AHVs include:

- Agricultural research and extension to 750 farmers.
- 2 Agribusiness developed (Cooperatives).
- 125 Has. of reforestation (approximately 125,000 trees).
- 100 Has. of soil conservation.
- 2 large (Aiquile and Mizque) and 30 small potable water system serving 28,000 people.
- 1 sewage system in Aiquile.
- 25 small scale irrigation systems.
- 375 Has. of improved irrigation water management.
- 1 Rural electrification system (40 kms. of lines) serving 8,500 persons in Mizque and Aiquile areas.

B) IBTA outputs for Chapare:

- Improved alternative technology packages from agricultural research.
- 1,500 farm family served by agricultural extension.
- 600 farmers provided of alternative planting material.
- 10 private nurseries provided technical advise and improved materials for multiplication.

C) National Road Service (SNC) Outputs

AHVs:

- Road construction - 50 kms.
- Road maintenance - 100 kms.

Chapare:

- Road construction (60 kms.)*
- Road maintenance (30 kms.)

The following project budget illustrates the line item breakdown for the \$12 million in funding to be made available, subject to the availability of funds.

Note that this activity depends on community eradication performance and preferences.

IV. Financial Plan

How will the \$12 million of new money be used

The above description of project activities since 1983 has resulted in the following financial status at December 31, 1989:

<u>Project Component</u>	<u>Earmarked/ Committed</u>	<u>Accrued Expenditures</u>	<u>Pipeline</u>
AID/Regional Office/TA	\$ 6,249	\$ 4,696	\$ 1,553
PDAR	1,661	1,607	54
IBTA/Chapare	3,482	2,277	1,205
SNC	2,107	1,507	600
Evaluation/Audit	250	50	200
Closed Commitment*	7,413	7,413	--
Uncommitted	5,158	--	5,158
	-----	-----	-----
	\$26,320**	\$17,550	\$8,770
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In December 1989, PDAR prepared and presented to USAID/B its consolidated operational plan for calendar years 1990 and 1991. The Plan, as designed, programmed the use of the above \$8.7 million pipeline plus an additional \$12 as "bridge" financing until the new project was to come on-line in 1991. As originally programmed, this pipeline amount plus the additional \$12 million was budgeted for the following:

AID/Regional Office/Technical Assistance \$2.0 million

A decision was made in 1989 that, if this program were to be implemented properly, AID has to establish its own office in Cochabamba to assume effective monitoring of the Program. The \$2.9 million includes operational costs for salaries of U.S. and FNPSC's that will work in Cochabamba and other office operations. In addition, the \$2.9 million includes the cost of extending the DAI and Experience Ind. contracts to March 31, 1991.

PDAR - \$5.5 million

This component of the project costs out the initial sub-project requirement in both AHV's and the Chapare. Several subprojects will be implemented in six basic sectors - agriculture, industry and manufacturing, energy, public water projects, education, and marketing.

* Pertain to project activities completed prior to 1988

** Total obligation for both loan and grant

In addition, PDAR itself will carry-out a series of studies and campesino training activities in rural electrification, natural resources and conservation, and irrigation systems. As PDAR expands its staff and implementation activities, new equipment-office equipment and vehicles will be procured.

IBTA/Chapare - \$2.3 million

IBTA will continue to implement basic the same activities that it has done for the last four years. Expansion of the facilities at Chipiriri and La Jota will be completed to entrance IBTA's capacity to do research and studies. The plan calls for greater emphasis on extension services in the Chapare as coca reduction proceeds and alternative crop production becomes more important.

Servicio Nacional de Caminos - \$2.2 million

The original plans for SNC included more than \$1 million for procurement of new road equipment. However, in February 1990, CORDECO approached PDAR and SNC asking if the program could use some or more than \$35 million of heavy road equipment donated by the Japanese Government. The offer was accepted. As a result, the program decided to transfer all existing road equipment in the AHV's to the Chapare and, using the Japanese equipment. Place three work groups in the AHV's instead of the planned two. Planned road construction in the AHV's for 1990 has now increased from 90 kilometers to 120. This has resulted in a shift of the SNC budget, deleting \$1 million of new procurement and substituting that amount as follows:

- Spare part of the new equipment	\$100,000
- Additional gasoline and fuel	400,000
- Additional personnel costs	100,000
- Overtime	100,000
- Additional drainage construction costs	<u>300,000</u>
	\$1,000,000