

PD-ABB-739

UNCLASSIFIED

UNITED STATES INTERNATIONAL DEVELOPMENT COOPERATION AGENCY
AGENCY FOR INTERNATIONAL DEVELOPMENT
Washington, D. C. 20523

BOLIVIA

PROJECT PAPER

MANAGEMENT TRAINING

Amendment No. 3

AID/LAC/P-537
CR P-397 P-341 P-256

Project Number: 511-0580

UNCLASSIFIED

PP-729

AGENCY FOR INTERNATIONAL DEVELOPMENT PROJECT DATA SHEET	1. TRANSACTION CODE <input type="checkbox"/> A = Add <input type="checkbox"/> C = Change <input type="checkbox"/> D = Delete <input checked="" type="checkbox"/> A	Amendment Number 3	DOCUMENT CODE 3
2. COUNTRY/ENTITY Bolivia	3. PROJECT NUMBER 511-0580		
4. BUREAU/OFFICE LAC	5. PROJECT TITLE (maximum 40 characters) Management Training		

6. PROJECT ASSISTANCE COMPLETION DATE (PACD) MM DD YY 07 31 95	7. ESTIMATED DATE OF OBLIGATION (Under 'B' below, enter 1, 2, 3, or 4) A. Initial FY 85 B. Quarter 4 C. Final FY 95
---	--

8. COSTS (\$000 OR EQUIVALENT \$1 =)						
A. FUNDING SOURCE	FIRST FY 1995			LIFE OF PROJECT		
	B. FX	C. L/C	D. Total	E. FX	F. L/C	G. Total
AID Appropriated Total	800		800	2,183	3,817	6,000
(Grant)	(800)	()	(800)	(2,183)	(3,817)	(6,000)
(Loan)	()	()	()	()	()	()
Other U.S. Host Country						2,115
Other Donor(s)						
TOTALS	800		800	2,183	3,817	9,415

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) 106	660	664		3,000		3,000		6,000	
(2)									
(3)									
(4)									
TOTALS				3,000		3,000		6,000	

10. SECONDARY TECHNICAL CODES (maximum 6 codes of 3 positions each) 700 840	11. SECONDARY PURPOSE CODE
12. SPECIAL CONCERNS CODES (maximum 7 codes of 4 positions each) A. Code TNG B. Amount \$6,000	

13. PROJECT PURPOSE (maximum 480 characters)

The purpose of the Project is to support the development of an independent management training and related services institution to provide intensive short-term management training and to supply modern managerial tools.

14. SCHEDULED EVALUATIONS Interim MM YY MM YY Final MM YY 09 92 09 94 07 95	15. SOURCE/ORIGIN OF GOODS AND SERVICES <input checked="" type="checkbox"/> 000 <input type="checkbox"/> 941 <input checked="" type="checkbox"/> Local <input type="checkbox"/> Other (Specify)
--	---

16. AMENDMENTS/NATURE OF CHANGE PROPOSED (This is page 1 of a 39 page PP Amendment.)

I have reviewed and concur in the proposed implementation and financing procedures for this project.

John R. Davison
 John R. Davison, Controller

17. APPROVED BY	Signature H. Robert Kramer	Title Mission Director a.i.	Date Signed MM DD YY 13 29 95	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.5)

Name of Country: Bolivia
Name of Project: Management Training
Number of Project: 511-0580

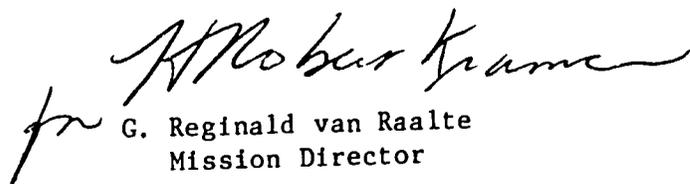
1. Pursuant to Part I, Chapter I, Section 104 of the Foreign Assistance Act of 1961, as amended, the Management Training project was authorized on August 30, 1985. That authorization was amended on September 29, 1986, on July 30, 1987, on August 31, 1989, and on December 28, 1989, and is hereby further amended as follows:

Delete the first paragraph of the first page of the authorization and insert in lieu thereof the following:

"Pursuant to Part I, Chapter I, Section 104 of the Foreign Assistance Act of 1961, as amended, I hereby authorize the Management Training Project for Bolivia involving planned obligations of not to exceed Six Million United States Dollars (US\$6,000,000) in grant funds over a nine year and eleven months period from date of authorization, subject to the availability of funds in accordance with the AID/OYB allotment process, to help in financing the foreign exchange and local currency costs of the project. The planned life of the project is nine years and eleven months from the date of initial obligation."

2. Through 89 State 139275, USAID/Bolivia received programmatic approval to establish a trust fund (or "escrow account") within IDEA. The trust fund will be derived from tuition fees and other self-generated income as well as from \$500,000 in ESF local currency. As per AID/W guidance, the fund will not contain any A.I.D. appropriated funds or U.S.-owned PL-480 funds. ESF funds are not considered to be U.S.-owned and can therefore be used, according to RLA Alex Newton in his Trip Report of June 2, 1989.

3. Except as expressly modified or amended hereby, the authorization remains in full force and effect.


for G. Reginald van Raalte
Mission Director

Date: 3/29/90

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Management Training
Project Authorization Amendment No. 5

Drafted: PD&I: LValenzuela:rlca
Clearances

Date

PD&I: JCloutier	Draft	2/1/90
DP: WTate/Saranibar	Draft	3/5/90
PS: DJessee	Draft	3/7/90
EXO: JLiebner	Draft	2/20/90
CONT: JRDavison <i>JM</i>	Draft	4/2/90

1089L

PROJECT AUTHORIZATION

(Amendment No. 4)

Name of Country: Bolivia
Name of Project: Management Training
Number of Project: 511-0580

1. Pursuant to Part I, Chapter I, Section 104 of the Foreign Assistance Act of 1961, as amended, the Management Training Project was authorized on August 30, 1985. That Authorization was amended on September 29, 1986, July 30, 1987 and August 31, 1989, and is hereby further amended as follows:

Delete the first paragraph of the first page of the Authorization and insert in lieu thereof the following:

"Pursuant to Part I, Chapter 1, Section 104 of the Foreign Assistance Act of 1961, as amended, I hereby authorize the Management Training Project for Bolivia involving planned obligations of not to exceed Three Million United States Dollars (US\$3,000,000) in grant funds over a four-year and four month period from date of authorization, subject to the availability of funds in accordance with the A.I.D./OYB allotment process, to help in financing the foreign exchange and local currency costs of the project. The planned life of the project is four years and seven months from the date of initial obligation."

2. Except as expressly modified or amended hereby, the Authorization remains in full force and effect.


F. Wayne Tate

Acting Mission Director

Date: 7/25/89

DP:SARANIBAR:gg

Clearance:

PD&I:JCloutier:(In Draft)

CONT:JDavison:(In Draft)

EXO:JLieber:(In Draft)

A/DD:PHHartenberger: PHH

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LIST OF ACRONYMS

CEPB	Confederación de Empresarios Privados de Bolivia
EHR	Education and Human Resources
ESAN	Escuela Superior de Administración de Negocios
ESF	Economic Support Funds
IDEA	Instituto para el Desarrollo de Empresarios y Administradores
INCAE	Instituto Centro Americano para Administración de Empresas
INFOCAL	Instituto Nacional de Formación y Capacitación Laboral
IPAE	Instituto Peruano de Administración de Empresas
IRD	Institute for Resource Development
PACD	Project Assistance Completion Date
PES	Programa de Especialización
PEM	Programa para la Microempresa
PP	Project Paper
PROCAF	Programa de Capacitación Financiera

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I. SUMMARY

The Cooperative Agreement which permitted the creation of the Instituto para el Desarrollo de Empresarios y Administradores (IDEA) was signed on August 30, 1985. The purpose of the project was to provide private sector entities with an institute to improve their managerial abilities and better prepare them to participate more fully in the development process of Bolivia.

Although training activities did not start until July 1986, the number of courses and participants have largely surpassed the targets set in the project paper and subsequent amendments.

A mid-term evaluation of IDEA conducted in September 1988 recognized its success in terms of training and outreach activities. The evaluation concluded that IDEA has performed well, both qualitatively and quantitatively, and that IDEA satisfies a demonstrated need in the Bolivian economy by providing timely and quality training. The evaluation also pointed out some financial problems and stated that the goal of self-sustainability within the four-year original duration of the project was overly optimistic. As a result of the evaluation recommendations, IDEA has taken the necessary steps to improve its financial management, including tighter control of its costs and necessary actions to increase its revenues. However, a more serious financial problem which is common to educational institutions is still unresolved: IDEA's course tuition fees cover variable costs but not fixed costs.

In recognition of this fact as well as the contribution that IDEA has made to the improvement of business and management skills in Bolivia and its future participation in providing training for other USAID funded projects, a six-year extension of the life of the project is hereby proposed. Equally important, the extension is also proposed in recognition that AID's involvement in establishing solid management training institutions, such as ESAN and IPAE in Peru and INCAE in Costa Rica, requires a long gestation period to ensure their status as a permanent "center of excellence." During this period, IDEA will expand its role in the strengthening and growth of the private sector, consolidate its financial situation, establish a linkage with a U.S. university or similar institution, and become self-sustaining. To accomplish this, the Amendment proposes the creation of a trust fund which will generate income sufficient to offset its operating deficit.

A

The decision to extend the life of the project is based on the progress made by IDEA to date and its potential for attaining a self-financing status in the medium term. IDEA is now able to identify its own strengths and weaknesses, its services are accepted and sought both by the private as well as the public sectors. IDEA's activities have remained consistent with the original Project Paper in that it has provided training courses to upgrade business skills at all levels.

It is expected that the added efforts of the project, including the linkage of IDEA with a U.S. university or similar institution, as was done in the cases of ESAN and IPAE, and the provision of related services such as telecommunications, the creation of an employment bank, and other initiatives, will strengthen the institution to the point of converting it into a center of excellence and a forum for the expression of diverse points of view in the area of business management and other areas.

USAID's Strengthening Financial Markets Project includes a Financial Training Program Component (PROCAF) which will utilize the services of IDEA. Those services will be fully funded by that Project in the amount of \$1,513,000. The revenue generated from that activity will enter into the trust fund to be created by this Amendment. For a description of PROCAF see Annex 4.

AID funds totaling \$2.017 million from the Management Training Project will be used to pay all IDEA operating expenses for 1990 and 1991 and partial operating expenses for 1992-1995 so that revenues collected by IDEA from courses can be set aside in a trust fund. By the PACD the interest from this trust fund will cover the remaining operating expense deficit. In addition, \$0.983 million will be added to the Project to finance technical assistance and the linkage with the U.S. university or other such institution.. The total of \$3.0 million in EHR Development Assistance funds requested in this Amendment will be utilized as follows:

	90	91	92	93	94	95	Total
Operating Expenses	520	488	268	244	247	250	2017
Tech. Assistance	200	200	200	200	200	183	983
							3000

USAID requests that the Project PACD be extended five years and eleven months from August 31, 1989, to July 31, 1995, and that the Life of Project funding be increased by \$3.0 million, from \$3.0 million to \$6.0 million. ESF counterpart funds totaling \$500,000 will be used for the Trust Fund. A Summary Sources and Uses of Project Funds follows in next page. In addition, the authority to amend the existing Cooperative Agreement with IDEA (initially for five years) to reflect these changes is requested.

SUMMARY SOURCES AND USES OF PROJECT FUNDS
 (in thousands of \$)

LINE ITEMS/ELEMENTOS	AID			PRIVATE SECTOR-IDEA	GRAND TOTAL		
	FF	LC	T	LC	FF	LC	T
1. Technical Assistance/Asistencia Técnica	1,993	206	2,199	2	1,993	206	2,201
2. Training/Entrenamiento	2	122	124	3	2	125	127
3. Operating Expenses/Costos Operativos	15	2,768	2,803	1,870	15	4,658	4,673
4. Commodities/Equipamiento	88	433	521	40	88	473	561
5. Course Costs/Costo Cursos		268	268	841	0	1,109	1,109
6. Contingencies/Contingencias	85		85		85	0	85
	2,183	3,817	6,000	2,756	2,183	6,573	8,756
7. Trust Fund/Fondo Fiduciario				359	0	359	359
			6,000	3,115	2,183	6,932	9,115

II. PROJECT RATIONALE AND DESCRIPTION

A. Background

The Instituto para el Desarrollo de Empresarios y Administradores (IDEA) is a new organization which provides short term management training to the private sector in Bolivia. The organization was created in 1985 by the Bolivian Confederation of Private Businessmen (CEPB) with a \$2.0 million grant from USAID. Of this amount, \$1.0 million was used for a technical assistance contract with the Institute for Resource Development (IRD). Two subsequent amendments to the Project Paper, one in September 1986 for \$700,000, and the second in July 1987 for \$300,000, increased the AID contribution to \$3.0 million.

The primary objective of IDEA is to provide short-term training for a wide range of business personnel from top, middle and low levels, including administrative staff, supervisors, executives and micro-entrepreneurs. Since training began in 1986, IDEA has provided general courses as well as courses tailored to the needs of individual organizations. Training formats and course topics are varied. The course offerings focus on areas such as supervisory skills, management by objectives, employee evaluation, hiring and interviewing techniques, personnel management, marketing, sales, financial management, production, inventory systems, computer operation, plant layout, and import/export marketing.

IDEA has a close relationship with the National Institute for Labor Training (INFOCAL). INFOCAL was created by public decree with the purpose of generating funds to upgrade human resources in the private and public sectors. Its financial resources come principally from a tax levied on private sector entities. A percentage of this tax will be channelled through the CEPB and ASOBAN to IDEA for the training of managers and administrators. This amount will be channelled into a trust fund.

Currently, about 100 courses are offered, most of which are conducted at IDEA's three regional centers in La Paz, Cochabamba, and Santa Cruz. To date, 629 courses have been offered to more than 15,000 men and women. Although this number exceeds the projections included in the Project Paper, tuition fees have not been as high as projected in the original Project Paper, thus hindering IDEA's progress toward the goal of financial self-sufficiency.

IDEA was formally created as an independent non-profit management training institute on August 31, 1985, with the signing of a Cooperative Agreement with the Bolivian Confederation of Private Businessmen. It was expected--and consequently incorporated into the Agreement's budget--that course fees, membership dues and service levies to be earned by IDEA over the life of the project would amount to US\$977,000, thus leading the institution to a progressive degree of financial autonomy. The project assumption was that by the fifth year IDEA would be financially self-sufficient.

On September 29, 1986--two months after IDEA began offering courses and in view of the greater-than-expected demand for services--an Amendment to the Cooperative Agreement provided resources to expand the Institute's plans for course offerings by 50% and the planned number of participants by 69% and to strengthen the Regional Offices. It also restored the budget contingencies line item, which had been used to fund the higher-than-budgeted cost of the international technical assistance contract.

In the original PP, only a Central Office with representatives in Santa Cruz and Cochabamba was considered. However, because of regional pressures based on the demand for services, IDEA started from the very beginning with a fully-staffed regional office in Cochabamba. In December 1986, a Santa Cruz office was also created.

A second Amendment to the Cooperative Agreement was signed on July 30, 1987--one year after IDEA began providing courses--adding US\$300,000 in grant funds to the project budget, thus bringing the total USAID contribution to three million dollars. While the project quantitative outputs continued to be those stated in PP Amendment No. 1, this additional funding was to strengthen the institution-building process.

B. Project Progress to Date

1. Academic

a. Targets and Achievements

The academic activities of IDEA were inaugurated on July 18, 1986, in the cities of La Paz, Cochabamba, Sucre, and Oruro. In the first two cities, regional offices with permanent staff were established, while the last two cities only had an IDEA representative. The regional office of Santa Cruz was created in December 1986.

From the beginning, the academic program segmented the market in accordance to the level of responsibility of employees in large and medium enterprises, complemented by courses specifically designed for small enterprises. The academic courses were also complemented by speakers' forum.

The initial targets of the project for the period 1985-1989 were the following:

	<u>No. of Activities</u>	<u>No. of Participants</u>
Decision making level	55	1,100
Mid-level Management	74	1,480
Small Enterprises	93	1,860
Lectures	7	700
	<u>229</u>	<u>5,140</u>

Since the initial demand was much higher than expected, these targets were subsequently increased by 50% for courses and 69% for the number of participants. Tables 1 and 2 which compare actual to planned progress, show the progressive improvement of IDEA in exceeding planned levels despite the fact that the first course was actually offered about one year later than projected in the Project Paper. Specifically, the revised four year targets were met within two years. Actual results as of July 1989 yielded the following percentages in terms of attainment of the revised planned targets:

Decision making level	88%
Mid-level Management	170%
Small and Micro Enterprises	178%
Support Personnel	104%
Speaker/forum	319%

As can be seen, the only activity which showed a lower result than the planned target was the program for executive decisionmakers. This may be due to the fact that large firms in Bolivia often do not have the professional characteristics of the modern corporation; they often are family enterprises where technical ability in management is not a priority and where the entrepreneur may be unaware of his/her technical weaknesses. In addition, in Bolivia only about 17% of all private firms have more than 10 employees and the market for this target group may have been overestimated.

At the decisionmaking level, however, the Lecture/Forum activity represented a notable success and included seminars jointly developed with other institutions which served as platforms to publicize the points of view of the sectors involved. Particularly successful were the seminars on the banking law, the Government's new economic plan and industrial policies, which were tied to actions leading to recommendations to the Government for changes in policies to improve private sector activities. In the same manner, and at IDEA's initiative, high level government officials have used the institute to disseminate information which required the active involvement of the private sector. Examples of this type of activity included the meeting of the President of the Bolivian Central Bank with commercial bankers and intermediary institutions on financial matters related to available lines of credit as well as meetings of the Ministers of Industry and Energy with the Private Sector on tariffs and pricing policies. More recently, the Bolivian Stock Exchange, which is being assisted by another USAID funded project, utilized IDEA for training and information services which have contributed to the establishment of regular activities of the stock exchange in La Paz and Santa Cruz.

T A B L E 1

ACTIVITIES PROGRAMMED AND EXECUTED BY YEARS

PROGRAMS BY LEVEL	1986*		1987		1988		1989**		1990*		T O T A L	
	PROGRAMMED	EXECUTED										
SENIOR MANAGEMENT	2	15	12	17	19	23	19		10		62	55
MIDDLE MANAGEMENT	1	11	16	62	28	61	29	16	15		89	150
SMALL SCALE BUSINESS	5	16	23	36	36	134	32	10	14		110	196
CLERICAL STAFF		8	12	27	22	32	23	4	11		68	71
ENTERPRISE FDRA	2	1	4	16	4	30	4	4	2		16	51
T O T A L	10	51	67	158	109	280	107	34	52		345	523

* ONE SEMESTER

** FIRST QUARTER

TABLE 2

I.D.E.A.

SUMMARY OF I.D.E.A.'S ACTIVITIES: SECOND SEMESTER 1986, YEARS 1987, 1988, AND 1989 (NATIONAL LEVEL)

TRAINING COURSES	Y E A R S																			
	1986				1987				1988				1989 *				TOTAL			
	No. ACT.	TOTAL	MEN	WOMEN	No. ACT.	TOTAL	MEN	WOMEN	No. ACT.	TOTAL	MEN	WOMEN	No. ACT.	TOTAL	MEN	WOMEN	No. ACT.	TOTAL	MEN	WOMEN
MANAGEMENT DEVELOPMENT (SENIOR LEVEL)	0	207	100	27	17	333	278	55	23	707	607	100	14	430	367	71	62	1,605	1,432	253
MANAGEMENT DEVELOPMENT (MIDDLE MANAGEMENT)	7	145	120	25	49	1,237	1,016	221	57	1,266	928	338	80	2,161	1,633	600	201	4,789	3,717	1,072
SMALL SCALE BUSINESS	16	437	333	84	36	840	626	222	134	2,382	1,645	717	107	2,322	1,635	687	293	5,989	4,279	1,710
CLERICAL STAFF	0	220	50	162	27	776	239	537	32	875	283	592	72	1,934	872	1,062	139	3,825	1,452	2,373
EXTRACURRICULAR FORUM	1	60	36	4	16	1,015	955	60	30	1,077	891	186	24	714	605	109	71	2,846	2,487	359
TOTAL	60	1,049	747	362	145	4,209	3,114	1,095	276	6,307	4,374	1,933	305	7,569	5,132	2,437	766	19,134	13,367	5,767
IMMERSION FORUMS	7	611	586	25													7	611	586	25
TOTAL	47	1,660	1,333	327	145	4,209	3,114	1,095	276	6,307	4,374	1,933	305	7,569	5,132	2,437	773	19,745	13,953	5,792
INSTRUCTORS COURSES	4	73	61	12	13	131	103	28	4	25	12	13	2	14	11	3	23	243	187	56
TOTAL	51	1,733	1,394	339	158	4,340	3,217	1,123	280	6,332	4,386	1,946	307	7,583	5,143	2,440	796	19,988	14,140	5,848

* ONE SEMESTER

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Female participation in the training classes has been relatively high. Female enrollment reached 32.6% during the period 1986-1989. However, as a reflection of the sexual discrimination in the occupational structure, female participation varied significantly with the levels of responsibility and decisionmaking in the firm. This participation, as can be seen in the following table, is very high in clerical and support personnel but decreases rapidly as one goes up the hierarchy.

	<u>% of Women Participants</u> (as of July 1989)
Program of Executive Development	14.6%
Program for Mid level Managers	22.6%
Small and Micro-Enterprises	28.1%
Support Personnel	68.2%

Equally unimpressive is the low level of female participation (10.6%) in entrepreneurial Lecture/Forum, which are occasions for exchanges of opinion on sectorial and macroeconomic topics. When the breakdown is done by categories, overall female participation in IDEA courses drops to 27.7%. USAID has expressed its concern about the low level of female participation in IDEA's more professional courses and will work with IDEA staff and the Board of Directors to modify the tuition payment structure, if necessary, and provide other incentives to increase female attendance in courses at all levels.

b. Academic Development

The overall curriculum of IDEA has changed to adapt to the demands of the market. In 1988, two new programs were introduced: the Program for Microenterprise (PME) and the Specialization Program (PES). The PME is a complete package of six training courses with technical assistance to help the participant put into practice what was learned in class. The PES systematizes the training for mid-level managers by helping the student focus on marketing, accounting, finances, and human resources. Each specialty requires the completion of five courses before certification.

Although IDEA has not targeted any specific course toward the public sector, that sector has shown a great interest in participating in activities of IDEA and has often participated in courses and events. Although primarily a private sector-oriented institution, IDEA will continue to encourage public sector involvement in some of its activities. In the absence of an efficient public sector management training institute in Bolivia, IDEA can potentially play a significant role in improving skills of public sector employees.

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2. Financial

In September 1988, a Mid-Term Project Evaluation concluded that, in spite of the fact that total actual expenditures were more than a million dollars less than estimated, "the objective of financial self-sufficiency was too optimistic. At any rate, even according to the project design, IDEA would not have attained self-sufficiency in years four or five." The evaluation report added that "at the present (1988) level of income and expenditure, IDEA has and will continue to have an annual deficit of about \$500 thousand. The objective of self-sufficiency will not be achieved." It went on to point out that even with drastic personnel reductions and other cost reduction measures, which this PP Amendment includes, that the annual deficit would still be approximately \$200,000.

The main reason underlying this conclusion was that total income generated by IDEA was far below that budgeted. Tuition fees were almost two thirds less than anticipated by the Project Paper (US\$201,000 vs. US\$539,000), while membership dues were slightly over one eighth of the previously forecast levels (US\$20,000 vs US\$153,000); including revenue from some of the services IDEA provides, total income was only 37% of original estimates.

Since the number of courses and amount of tuition collected exceeded Project Paper projections, lower-than-expected income was primarily the result of a price problem. The original estimates assumed that fees would cover all direct costs and an additional 10 percent for overhead expenditures. Non-members--who do not pay dues--would pay the tuition charged to members plus an additional 25 percent. According to the evaluators, the divergence between tuition fees in the Project Paper and what is actually charged is very wide. In year three of the project the tuition fees for various courses according to the original estimates should have ranged between US\$56 and US\$121. The amount IDEA is charging currently ranges between US\$33 and US\$83. It is the opinion of the staff that, given the present Bolivian economic situation, higher tuition fees probably could not be paid by the clients. Although the PP was conservative with respect to the potential size of the market for management training, the Project Paper seems to have overestimated the paying capacity of the demand.

Between 66% and 75% of participants in IDEA training activities have their tuition paid by their employers. Private sector firms have then contributed significantly to the growth of IDEA. It may appear paradoxical to see IDEA with such low membership while private firms use IDEA for training. The answer to the puzzle can be found in a combination of the following two points:

a. The number of medium and large firms likely to be members of IDEA is very low. According to Mission estimates, in 1988, there were only 2,700 private firms with more than 10 employees, only 535 with more than 25 employees, and 350 with more than 30 employees.

b. Tuition reductions and other services have not been sufficient incentives for membership. With the 15% discount on tuition available for members, large firms need to pay for 67 courses before recuperating the cost of their membership fee. For medium and small businesses and individual trainees, the equivalent number of courses are 33, 20 and 7, respectively, obviously beyond the size of their labor force likely to be trained at IDEA.

The degree of participation at the academic level has not been a problem during the project implementation period. From July 1986 to June 1989, 15,120 business men and women have participated in IDEA's programs. This number includes people who have taken more than one training course. In addition, 249 people were trained in 23 courses as instructors for the Institute staff. Of this total, 19 instructors were full time employees of IDEA who also work as instructors, and 230 were professionals who took one instructor training course each to enable them to be part of IDEA's roster and give evening courses periodically in accordance with their fields of expertise.

The more than satisfactory attendance level is partly attributed to the high level of the instructors which are recruited from Bolivia, Latin America and the U.S. IDEA considers that the cost of maintaining the high quality of its courses is worth the effort and the cost. Under these circumstances, it is not surprising that firms take advantage of the opportunity which IDEA offers while taking the least cost alternative of avoiding membership. The involvement of firms with IDEA as members will require a revision of the incentives to membership.

C. Justification for LOP Extension

Aimed at correcting the imbalance of total income to total expenses, a Five Year Strategic Plan Toward Achieving Financial Self-Sufficiency was prepared by a consultant team in December 1988. The objective of reaching self-sufficiency in year five was abandoned and substituted by the more realistic goal of achieving self-sufficiency in a ten year period. Although the Strategic Plan had many weaknesses as a planning document, it was helpful to the Mission in developing long-term options to ensure enhanced cost recovery and eventual self-sufficiency.

The evaluation of IDEA (conducted in September 1988) supports the conclusion that IDEA has performed well both qualitatively and quantitatively. It stated that IDEA satisfies a demonstrated need in the Bolivian economy by providing timely and quality training. As pointed-out in the Academic Progress section above, in only two-and-a-half years IDEA has surpassed its training targets which, according to the Project Paper, should have been achieved over a four year period.

The continuity of this effort requires that IDEA improve its efficiency through reorganization, as suggested by the mid-term evaluators. The Five Year Strategic Plan, designed in late 1988, provides the framework for that purpose. However, this is not enough. As stated by the evaluators, IDEA cannot continue without an infusion of funds from AID or other international agencies. The evaluators recommended that the life of the project be extended by 1 to 2 years and that the unused balance of the AID grant be allocated to operating expenses and courses costs, provided IDEA reduce its operation expenses to US\$400,000, its course costs to US\$100,000, and increase revenues from tuitions and membership fees to US\$ 31,000. The purpose of these recommendations was to stress the need for serious cost control and revenue enhancement measures to be taken by IDEA, prior to the infusion of additional funding. IDEA responded positively to the evaluation and in the intervening months has implemented a strong cost control program which has already started to yield results. The cost control program consists of a reduction of positions, such as computer specialists, some regional staff, the second accountant, and secretaries. In addition, a financial manager has been recruited who will work to streamline operating costs. However, even with these and the other cost cuts suggested by the evaluators, there would still be an operating deficit of \$200,000 per year. This Amendment proposes to continue the serious cost control measures being implemented by IDEA and, at the same time, adopt a financing plan which will lead to self-sufficiency. It is necessary to recognize the existence of a structural problem common to training institutions which cannot be solved merely by cost cutting. Such institutions simply cannot cover all costs without external assistance or, in this case, the financing arrangement of a trust fund. This is particularly true with a private sector which is as cash starved as is that of Bolivia. The creation of this trust fund and the establishment of a linkage with a U.S. University or similar institution will on the one hand help to ensure a self sustaining status and on the other to increase the prestige and professionalism of IDEA.

In addition to continuing to serve the private sector through ongoing efforts, IDEA will play a key role in strengthening Bolivia's financial sector through the Strengthening Financial Markets Project. That Project has three main components: Strengthening of Private Sector Financial Institutions; Strengthening Private Sector Participation in Policy Reform; and, Strengthening Private Sector Associations. The first component includes a \$1.5 million Financial Training Program (PROCAF in the Spanish abbreviation).

USAID has selected IDEA as the institution that will carry out PROCAF. Moreover, USAID considers the participation of IDEA in the implementation of the program vital for the success and continuity of PROCAF. For that reason, the Mission has requested and obtained from the AID Assistant Administrator for Latin America and the Caribbean (AA/LAC) the authorization to invite only IDEA to submit a Cooperative Agreement proposal under the SFM project (Per State 380944, this waiver was approved by the AA/LAC as part of the Strengthening Financial Markets Project Paper authorization. Such an extension of the current Cooperative Agreement with IDEA is also being requested in this PP Amendment.) PROCAF is the first and perhaps the largest, of what may eventually be several USAID projects which will utilize the services of IDEA on a full cost payment basis.

Given the strong academic record of IDEA, its decisive steps to control costs, and its vital niche in the provision of business skills enhancement, particularly for the private sector, an extension of the life of the project is justified. To ensure the long-run self-sustainability of IDEA, this PP Amendment is for a six year period during which IDEA could further reduce its operating deficit to one third of expenses while cautiously offering some increased services. During this period of time, IDEA would create a trust fund from its tuition and other sources of income so that by the revised PACD the combination of income sources and trust fund interest would cover all operating expenses.

D. Revised Project Strategy and Description

1. Project Goal and Purpose

The goal of the Project is to increase the productivity of the Bolivian private sector enterprises and entrepreneurs through a) the improvement of the professional capabilities of their managerial and supporting human resources and b) the provision of business services.

The purpose of the Project is to support the development of an independent management training and related services institution to provide intensive, short-term management training and to supply modern managerial tools. It is the long-term purpose of the Project that this institution become a self-sustaining center of excellence for the modernization of the Bolivian private sector.

2. Project Strategy and Expected Outputs

The implementation strategy of IDEA for the period 1989-1995 is divided in three substrategies:

The first substrategy concerns the basic activity of IDEA, the training of entrepreneurs and administrators. This includes ongoing business training and the more specialized Program for Finance Training (PROCAF) which is narrowly limited to financial areas, i.e. banks, insurance companies, and savings and loans.

The second substrategy concerns the necessary actions and activities IDEA must undertake to increase membership, and to develop a set of complementary services such as the organization and administration of a service center, a conference center, a center for small and micro-entrepreneurs, and other services which will generate additional revenues to cover the operational deficit which cannot be filled merely by registration fees or tuitions. Although many such services will be investigated, only those services which will generate net income will be continued. Close coordination with other private sector projects will be maintained to avoid duplication of activities.

The third substrategy concerns the relationship of IDEA to the private sector it aims to serve. To ensure that IDEA is adequately meeting the needs of the various subsectors of the Bolivian Private Sector, IDEA with the assistance of the Strengthening Financial Markets project (including the assistance of the prime contractor Robert R. Nathan Associates), will establish close ties with industrial, commercial, and regional associations. By establishing relationships with groups besides the CEPB, IDEA will be able to offer tailor-made programs which directly respond to the needs of diverse sectors of the economy.

a. Training Activities

An objective is being set: in the year 1995, revenues from tuitions should cover 38% of total costs. As a frame of reference it is worth noting that in higher education institutions in industrialized countries such as the U.S.A., this proportion generally does not exceed this amount. To meet this target, IDEA has designed a specific plan of academic activities dividing its training efforts into five areas:

- Program for High Executives;
- Program for Mid-level Managers;
- Program for Small and Micro-Enterprises;
- Program for Support Personnel; and
- Speaker/Lecture Series.

In addition to these five market segments, IDEA also offers the possibility of organizing specific "in house training" activities for individual firms or groups of firms designed and oriented to respond to specific requests.

These programs will be regularly monitored and adjusted to maintain their responsiveness to the demands of the market and the region. In September of each year, an academic planning exercise will take place where the needs of the different segments of the private sector, assessed through regular contacts with associations, become an input in setting the program for the next year as well as targets for activities by segments.

To strengthen its academic activities and enhance its prestige, IDEA is looking to sign an agreement with a U.S. university or other such institution. This agreement would transfer technical assistance and highly qualified instructors in topics little known in Bolivia. With this cooperation, IDEA expects to solidify its leadership in entrepreneurial training in Bolivia, offering seminars on state of the art managerial techniques.

b. Financial Training

IDEA has been given the responsibility to manage the Program for Financial Training (PROCAF) under the Strengthening Financial Markets Project. PROCAF represents a large share of the total IDEA program. See Annex 4 for a summary of PROCAF activities and its budget.

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PROCAF must achieve the following objectives

- identify the training needs of the financial sector;
- design, develop and teach seminars;
- maintain a permanent training program; and
- select and train local instructors.

Within its first three years, PROCAF will give 59 seminars with 1,125 participants in the three geographic departments where IDEA operates. These seminars will be oriented to high level executives, mid-level managers and supervisors of the financial sector. From its fourth year on, PROCAF will become an integral part of regular IDEA operations.

c. Increase in Membership and Provision of Services

IDEA cannot reach self-sustainability merely from academic revenues. For this reason, a search for income generating activities, such as increases in membership, provision of business services, business center, computer services, telex and fax, english lab, etc., has been conducted.

Revenues from membership are expected to increase from US\$10,000 in 1988 to US\$31,000 in 1995. This target is more conservative than the one set by the evaluators but has been considered more realistic given the reduced number of firms likely to contribute membership fees under the present conditions. However, while this figure is useful for the planning exercise, one should not discount the possibility of increased revenues from changes in the membership incentive structure.

However, increases in membership should not only mean increased revenues but also a higher number of participants in academic courses and better contacts with diverse business organizations. One of the first advantages of a large membership is the close contact with the business community. To increase membership, IDEA, with the assistance of the Strengthening Financial Markets Project, will strengthen its marketing strategy. Permanent incentives for members will be considered. In addition to discounts in course fees, members could, for example, benefit from:

- participation in the elections to the boards of IDEA as elector and candidate;
- discount for the use of the soon-to-be-created Business Center;
- discount for the use of the Conference Center;

- permanent subscription to IDEA's information bulletins and letters; and
- discounts on other services eventually being offered by IDEA.

These incentives would be regularly reviewed to ensure their attractiveness to the membership. Efforts to attract members from outside Bolivia such as international organizations and cooperation agencies will also be pursued.

The following services are illustrative of what might be offered by IDEA:

- Business Center: Entrepreneurs would be able to take advantage of resources necessary for the administration of their firms, such as typing services, word processing (including maintenance of correspondence, proof reading), and computerized accounting services.

- Computer Services: Assistance on equipment needs; purchase or leasing of software; training in the use of equipment; development and sales of software programs specifically designed for small firms; and seminars on computer uses for small business.

- Telex and Fax Services: Reception and transmission of messages.

- Library: Books, magazines, journals audiovisual material, etc..

- English language lab: Personalized teaching of English as a second language.

- Conference Center: Organization and logistic support for domestic events and conferences of companies. For international events, IDEA would also provide simultaneous translation, videotaping of activities as well as preparation and photocopying of documents. IDEA could also manage preinaugural publicity and press releases.

IDEA will regularly reevaluate the types of services offered with particular emphasis on demand and the ability of the services to pay for themselves and generate a profit. Before the introduction of a new service, the following factors inter-alia will be considered:

- size of investment;
- experience of IDEA in this type of service;
- requirement of additional personnel; and
- Potential competition with the private sector.

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In addition, IDEA will create a fund-raising office which will strengthen the capacity of IDEA to raise funds consistent with OMB guidance received by GC in a similar case in Costa Rica. The goal of the fund-raising office is not only monetary donations, but also free or subsidized services, such as visits by experts or instructors who could provide income-generating seminars with little or no cost to IDEA.

3. Linkage with a U.S. University or other Such Institution

One of the weaknesses encountered during the implementation of the project was the less than satisfactory performance of the technical assistance contracted with grant funds. This was exacerbated by the lack of continuity of the long-term advisors.

Basically, outside assistance provided during the first three years was used to help establish the training institute, develop basic curricula and provide in-country training to the staff. Although the short-term technical assistance was good, the level of effort was low and did not achieve the planned objectives. To compensate for these deficiencies and to continue the institutional strengthening process, this Amendment proposes the linkage of IDEA with a U.S. university or another institution which can provide similar services.

Some preliminary research conducted by the Mission indicates that the long-term linkage of local institutions with U.S. training institutions has been the key element in institutionalizing similar projects funded by A.I.D. in Latin America. Such are the cases of ESAN in Peru, which was established in 1963 under the auspices of Stanford University, INCAE in Central America, which has been linked to Harvard University since 1964, and IPAE in Peru, which received assistance from the University of Illinois. Over the last twenty years, these institutions have become important elements in accelerating the economic growth and social change in the areas they serve through the continuous upgrading of the skills of managers and administrators in both the public and private sectors, as well as through the provision of related support activities. Research has demonstrated that the establishment of these institutions was a long-term effort which required a long gestation period, strong technical assistance, and funding, as well as continuous innovative ideas and upgrading of staff.

Based on these findings, the Amendment proposes the addition of funds specifically earmarked for this purpose. It is estimated that approximately \$0.983 million will be required during the extension period for this purpose. Funds will be used primarily to carry out the following activities:

- An instructor exchange program by which professors of the contracted university will be allowed to spend short periods of time (up to a maximum of six months) working in IDEA. At the same time, IDEA staff and support personnel will receive training in the U.S. in specific fields of specialization.

- Short-term technical assistance to develop and conduct training courses in Bolivia and to carry out high level lectures/conferences on topics of current and general interest. This element may also be used to arrange for visits to Bolivia of successful entrepreneurs from developing countries (i.e. neighboring countries, Central America and/or Asia) who will provide practical training to selected groups of entrepreneurs and industrialists on specific topics. Also, technical assistance will be used to organize visits of selected groups of people to those recently developed countries to observe their counterparts' operations and study possibilities of mutual benefit. The technical assistance team will conduct a series of marketing studies to determine the projected demand for training and the ability of clients to pay.

- Home office support to coordinate activities in the U.S. and to help IDEA maintain close relationships with the international academic community which will assure a continuous flow of the most advanced administrative concepts and teaching techniques.

- Supporting activities such as publications, memberships in societies, etc.

The contractor team will help to develop a long range strategic plan for the development and implementation of fund raising activities.

The selected contractor will have experience in similar projects in Latin American countries and will be able to respond quickly to requests for a variety of services such as short-term consultants and speakers, as well as be able to offer a sound instructor exchange program.

The provision of technical assistance described above will be based on a six-year strategic plan and an initial detailed two year action plan to be developed jointly by IDEA, the contractor and USAID immediately upon selection of the contractor.

The progress made by IDEA to date will be enhanced by this relationship while at the same time the relationship will provide IDEA with the necessary prestige to increase demand for its services. A long term relationship with a prestigious U.S. institution will set the foundation for attaining the goal of becoming an outstanding training center which will contribute to the development of a corps of highly qualified and socially aware professional managers located in key and influential groups of the community.

4. Relationship with Other USAID Funded Projects

It is anticipated that IDEA will gradually adopt a more integrative and multidisciplinary approach by addressing fundamental administrative problems affecting many organizations and sectors (e.g. agro-industry, banking, finance, privatization, export promotion, etc.). This approach will enable IDEA to contribute more efficiently to the attainment of common goals and to the country's socio-economic growth. In this manner IDEA fully complements other Mission activities, particularly those including training and information dissemination.

In this context, initial steps have already been taken to coordinate with other USAID efforts and those of other donors. Specifically, IDEA provides support services and training to other USAID funded activities. IDEA's facilities are currently being used by the Mission's participant training program for orientation and debriefing activities. The Micro and Small Enterprise Development Project is expected to possibly utilize IDEA's training facilities. In all cases, USAID and other donor funded projects will pay the full costs incurred by IDEA for their courses.

In addition to the projects already cited, the Strengthening Financial Markets Project brings other important resources to IDEA. The Robert R. Nathan Associates Contract has placed a long-term advisor in IDEA to develop and support PROCAF. Another long-term advisor is working with private sector associations to help them provide better services to their members including management training. A third long term advisor is working with ASOBAN and will build support in the banking system for IDEA. These resources may prove to be as important to achieving this Project Paper Amendment purpose as the proposed agreement with a U.S. University or similar institution.

Mission personnel have received training in administrative topics such as secretarial practices, accounting, and financial analysis. In addition, case studies developed under a project being implemented by a GOB agency will utilize IDEA for dissemination and training of trainers purposes. More recently, the Bolivian Central Bank submitted a proposal for in-country training of banking professionals under a contract with USDA. This project which will provide credit training to Bolivians in country will be complemented by a degree training program in the U.S. for selected participants. Plans include the participation of the World Bank and USAID with financial support for this effort and IDEA and the Central Bank as the implementing agencies.

5. Implementation Plan

In order to implement the activities described above, and to begin meeting self-sufficiency goals, IDEA will comply with the following plan:

Management Training Courses: Between 1990 and 1995, IDEA will deliver 2,283 courses and seminars for an expected number of 62,765 participants.

Financial Training Program (PROCAF): A total of 113 courses with 2,160 participants will be offered over the period 1989-1995.

Membership: Membership dues will amount to US\$18,000 in 1990, US\$22,000 in 1991, US\$26,000 in 1992, and US\$31,000 per year from 1993 to 1995.

Non-Academic Services: Due to the fact that some of these services are already being offered and that the new ones will require a relatively small investment, it is expected that most of them will be implemented in 1990 and 1991, following a quick feasibility study. Depending on the market response, their numbers will be progressively increased.

The \$2.017 million increase in IDEA funding for ongoing courses and planned services and the \$1.513 million in PROCAF funding will be part of the same cooperative agreement with IDEA (for a total of \$3,530,000). Trust funds will be accumulated in a newly created bank account under USAID control. Payment of operating expenses by USAID will be on a cost reimbursement basis utilizing periodic advances. All other implementation arrangements remain as described in the original Project Paper and its subsequent amendments.

a. Implementation Responsibilities

USAID/Bolivia will have full responsibility in the monitoring of the Management Training project implementation. For this purpose, several tools, such as work plans with specific objectives, will be developed early in the amendment period to assure adequate supervision and budgetary controls. The provision of technical assistance will be the responsibility of USAID. The services of the contractor will be procured directly by USAID in accordance with A.I.D. regulations contained in Handbook 14.

IDEA will be responsible for project implementation in accordance with approved plans of work. It will also be responsible for maintaining separate accounting and statistical records on participants and course costs for IDEA and PROCAF. Reports will be submitted to USAID/B on a quarterly basis.

b. Schedule of Major Events

Year 1

First month

- Sign cooperative agreement.
- Draft the PIO/T for a U.S. University or similar institution to be contracted to provide technical assistance.
- Prepare job descriptions and hire local personnel for the PROCAF program.
- Equip PROCAF office.

Second month

- Issue RFP for a U.S. University or similar institution.
- Set up accounting systems and open bank accounts for PROCAF and IDEA grants.
- Design and begin implementation of course schedules for the first semester.

Third Month

- Conditions Precedent met.
- First disbursement of funds made.
- Initiation of permanent activities by PROCAF including the organization and operation of an advisory board and nomination of a representative to the IDEA Board of Directors.
- Begin negotiations with the GOB for the approval and disbursement of ESF funds for the trust fund.

Fifth Month

- Review of bids from a U.S. University or similar institution.

Sixth Month

--TA contract signed with university or a similar institution.

Ninth Month

--Technical assistance activities begin.
--Approval of five year strategy and two year action plan.
--Contractor to review program and determine whether any changes are needed.

Year 2

--Establishment of trust fund.
--Establishment of Business Service Center.
--First evaluation and audit is conducted.
--Implementation of courses.

Years 3 - 6

--Implementation continues in accordance with action plan.
--Trust fund earnings continue to be under close control with respect to fluctuations in the maintenance of value and corrective measures are taken, as needed.

6. Monitoring and Evaluation

The need to closely monitor the evaluation of the financial structure of the project calls for the immediate development of a monitoring and evaluation plan. As a CDIE pilot program, USAID/Bolivia will receive CDIE assistance in developing this M&E plan. The M&E plan will allow both the implementing agency and the Mission to measure project progress continuously and detect early any deviation from planned activities which might jeopardize achievement of the expected goals, especially as far as the self-sufficiency aspects are concerned. Progress on the achievement of M&E indicators will be reported to Mission Management and AID/W at least twice a year through the semi-annual review process. Gender-disaggregated data will continue to be collected to determine the extent to which the training program and the business services are benefiting women.

The evaluation plan calls for two evaluations during the project amendment period. These evaluations will take place every two years beginning approximately in September 1992, or two years after the technical assistance has been in operation. The purpose of this exercise will be twofold. First, evaluations will examine progress made both by IDEA and PROCAF against planned activities contained in the workplan developed in conjunction with the contracted outside technical assistance.

Secondly, the evaluations will serve to assess the behavior of the trust fund account and interests, especially with respect to foreign exchange devaluations or monetary changes that may have a negative effect on the value of the trust fund. The evaluations will be carried out collaboratively with the IDEA and PROCAF staff at the national level and the results will be presented to the IDEA and PROCAF Boards of Directors and to USAID/Bolivia. In addition, internal audits will be scheduled each year to ensure that monies from various funding sources are being handled properly.

The payment verification policy requires an assessment of the methods of implementation and financing of the project. Therefore, a history of past audit experience, including audit recommendations and remedial actions taken, is included as Annex No. 9.

III. CONDITIONS PRECEDENT AND RESPONSE TO DAEC CABLE

A. Conditions Precedent

Under the new IDEA Cooperative Agreement, there will be two staging of agreements prior to the first disbursement:

1) Name and Specimen Signatures: IDEA will provide USAID/Bolivia with the name and specimen signature of the official authorized to represent IDEA for purposes of this agreement; and

2) Revised Internal Operations Manual: IDEA will submit to USAID/Bolivia a revised internal procedures manual which has been approved by the Board of Directors of IDEA.

B. Modifications in PP Amendment as a Result of DAEC Cable

The following pages respond point by point to the issues and guidance included in the 89 STATE 293882 DAEC Cable on the Management Training Project Paper Amendment No. 3. The information in parenthesis corresponds to the section or page number in this document which discusses the particular issue.

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3.A.: Trust Fund Account: As instructed by AID/W, the Mission has incorporated into the Amendment the fact that local currency contributions to the trust fund will not be converted into dollars. The interest earned from that local currency, however, can be converted into dollars. (See Section IV. A.)

3.B.: Consistency of Use of Local Currency for Trust Fund with Policy Determination No. 5. It is consistent. Issue resolved at DAEC.

3.C.: Income-Generating Activities for IDEA: The services proposed by IDEA (such as a Business Center and Business Library) are consistent with the IDEA project purpose, which is to support the development of an independent management training and related services institution to provide intensive, short-term management training and to supply modern managerial tools. To the best of our knowledge there is no other Business Center or Business Library in Bolivia, and therefore there is no danger of competing with the private sector. In any event, each new service of IDEA will be evaluated carefully to ensure its feasibility and the fact that it does not compete with the private sector. (See Section III.D.2.c.)

4.A.: Implementation Plan. The PP Amendment No. 3 now includes an implementation plan and a procurement plan which clearly states how the contractor will be selected and how the activities will be implemented. (See Sections II.D.5 and IV.B.)

4.B.: Control of Trust Fund. The modified Amendment now proposes to control the use of the trust fund through the project PACD only. USAID will ensure that no releases are made during the life of the project. (See Section IV.A.)

4.C.: Training of GOB Employees. Although IDEA's principal clientele is the private sector, public sector employees will continue to participate in IDEA courses. (See Section II.B.1.b.)

4.D.: Institutional Contractor Services. The Institutional Contractor will assist IDEA in strengthening its management as well as in providing short-term teaching staff. The technical assistance will also include: marketing studies, a long range strategic plan, advice on fund-raising activities, and instructor and private businessmen exchange programs. (See Section II.D.3.)

4.E.: Double Counting of Trainees. This Section was rewritten to clarify the actual number of courses and participants, as well as the number of people repeating courses. (See Section II.B.1.a.)

5.A.: Mention of U.S. University. All references to the contracting of a U.S. University have been modified in the new PP Amendment No. 3 to read "...a U.S. University or a similar institution." (Various pages in the text.)

5.B.: T.A. Cost Estimates. The PP Amendment always estimated \$983,000 for 78 person months of technical assistance. A calculation error appears to have been made by the DAEC committee.

5.C.: PROCAF Payments. At no time will payments to PROCAF with USAID funds include entrepreneurial profit. The Amendment document does not discuss this per se.

5.D.: Financing of Non-Allowable Costs. The DAEC was under the impression that there was no other way to finance non-allowable costs other than through reducing the contributions to the trust fund. In a sense this is what is planned. Tuition fees include an "organizational costs" component which will be drawn upon for costs such as entertainment expenses. The net income from tuition fees will then be added to the trust fund. This is not discussed per se in the document.

5.E.: Fund-raising. To the best of our knowledge, INFOCAL funds will continue to accrue to IDEA. As part of its strategic planning, IDEA will be developing a fund-raising arm under this Amendment. The technical assistance contractor will also assist in this area. (See Sections II.D.3 and IV.A.)

5.G.: Merit Pay for Employees. Although this possibility was mentioned at the DAEC, the Mission has opted to disallow the emergence of this practice within IDEA. IDEA may consider this at a later date, once the PACD has been reached. No mention of this topic is made within the text.

IV. COST ESTIMATE AND FINANCIAL PLAN

A. Self-Sufficiency and the Trust Fund

The combination of the cost cutting staff reductions discussed above, and a significant increase in revenues (an average growth of 12% per year over the additional LOP), will lead to a reduction of the operational deficit from its 1988 level of 69% of expenditures to 46% in 1990, and 41% in 1991, thus meeting the financial goals proposed by the evaluators.

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Notwithstanding these achievements and the fact that beyond 1991 the deficit will continue to drop at a significant rate, it will not be completely eliminated. The continuation of an operational deficit in spite of cost reductions and revenue increases reveals the existence of a structural problem which is not specific to IDEA but is common to most training institutions: tuition and many entrepreneurial services generally cover at best variable, but not fixed costs. The weight of fixed costs in this type of institution is always high and cannot be reduced beyond a certain limit without adversely affecting the level of activities.

This does not imply that self-sustainability is an impossible goal, but rather that it is a difficult goal which requires a long period for its attainment. In this case, financial equilibrium can be achieved through a mechanism widely used by educational and/or training institutions in the U.S. and elsewhere with similar problems: a trust fund through which the interests it yields generate the financial resources necessary to fill the operational gap. In other words, the trust fund may be viewed as the endowment which IDEA lacks at the moment.

Over the LOP, the trust fund will be constituted with contributions from the following sources:

1. Net tuition fees charged by IDEA during 1990 and 1991 for an estimated US\$359,000. Other services revenues from that period, as well as all revenues beyond 1991 (including tuition fees) will be applied to current expenses.
2. Net tuition fees from PROCAF from 1990 to 1995 will be an estimated amount of US\$229,000.
3. A one-time contribution of the GOB of US\$500,000 in local currency from the FY 1990 Economic Support Fund. The part of the trust fund account utilizing ESF will be in local currency but will be denominated in dollars. The part of the trust fund from operations and interest earned from the local currency account will be in dollars.
4. A fraction of the training tax revenues (INFOCAL) which accrue to the Confederation of Private Entrepreneurs of Bolivia (CEPB) and the Association of Banks (ASOBAN). This amount is estimated at a minimum of US\$105,000/year. Supreme Decree 22105, found in Annex 7, established INFOCAL. See also budget Table 5 for a listing of INFOCAL revenues.

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By the end of 1995, the total value of the trust fund would amount to US\$2,707,000 and yield annual interest of US\$244,000 in the following years, assuming an average interest rate of 9%, an amount sufficient to cover the projected operational deficit. In order to maintain the real value of the trust fund while interest is used to cover the operating deficit, additional sources of funds must accrue to the fund. The most likely possibility is that INFOCAL funds will continue to accrue to the fund beyond 1995.

USAID will closely monitor operating expenses during the six year extension. Deviations from expenses approved in the annual Operating Plan must be approved by USAID. The Cooperative Agreement will detail expense procedures, including USAID approval for all expenses through the operating plan approval process. The trust fund will not be touched by either USAID or IDEA during the life of the Project. After the PACD, IDEA will have complete control of the trust fund and is expected to use its interest to finance the anticipated operating expense deficit.

B. Procurement Plan

A new Cooperative Agreement with IDEA will be negotiated. A four year technical assistance contract will be necessary to provide IDEA with approximately 78 person months of short-term consultancy and related services. In addition, mid-term and final evaluations and audits will be contracted during the life of the project. The purchase of office furniture and equipment, as well as computer equipment is also anticipated. This furniture and equipment is expected to be procured locally by IDEA in order to ensure adequate maintenance services.

A detailed procurement plan is presented in the next two pages. The codes used are as follows:

- CA - Cooperative Agreement
- CR - Cost Reimbursement
- FO - Full and Open Competition (U.S. - CBD)
- FP - Fixed Price
- OC - Other Competition (U.S./Local - at least three sources)
- IQC - Indefinite Quantity Contract (Pre-competed by AID/W)

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SERVICES:

<u>CONTRACT TYPE</u>	<u>ESTIMATED VALUE</u>	<u>CONTRACTUAL METHOD</u>	<u>AUTH. AGENT</u>	<u>PROPOSED SOURCE</u>	<u>EXCEPTIONS/ WAIVERS</u>
A. COOPERATIVE AGREEMENT WITH IDEA 03-90 PIO/T processed for RCO 03-90 Final negotiations and award	\$2,017,000	CA	RCO	Local	None
B. INSTITUTIONAL CONTRACT 04-90 PIO/T processed for EXO/P 04-90 CBD advertisement published 05-90 RFP prepared and released 07-90 Review of bids completed 08-90 Final negotiations and award 09-90 T.A. commences	\$ 983,000	FO	RCO	U.S.	None
C. MID-TERM EVALUATION - CR 08-91 PIO/T processed for AID/W 08-91 Delivery order negotiated and signed 09-91 Evaluation commences 10-91 Report accepted	\$ 30,000	IQC or OC	AID/W or USAID/B	U.S. or local	NONE
D. FINAL EVALUATION - CR 04-95 PIO/T processed for AID/W 05-95 Delivery order negotiated and signed 06-95 Evaluation commences 07-95 Report accepted	\$ 50,000	IQC or OC	AID/W or USAID/B	U.S. or local	NONE
E. MID-TERM AUDIT - CR 06-92 PIO/T processed for USAID/B 07-92 Delivery order negotiated and signed 08-92 Audit commences 09-92 Audit report accepted	\$ 18,000	IQC	USAID/B	Local & RIG/T	NONE
F. FINAL AUDIT - CR 06-95 PIO/T processed for AID/W 07-95 Delivery order negotiated and signed 08-95 Audit commences 09-95 Audit report accepted	\$ 18,000	IQC	USAID	Local & RIG/T	NONE

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COMMODITIES:

<u>CONTRACT TYPE</u>	<u>VALUE</u>	<u>ESTIMATED METHOD</u>	<u>CONTRACTUAL AGENT</u>	<u>SOURCE</u>	<u>AUTH. WAIVERS</u>
A. Office furniture/equipment - FP	\$ 100,000	OC	IDEA	Local	NONE
05-90 PIO/C processed for EXO/P					
06-90 Local sources submit quotations					
06-90 Evaluation of offers					
07-90 Contract(s) awarded					
08-90 Commodities delivered					
B. Computer System - FP	\$ 20,000	OC	IDEA	Local	NONE
05-90 USAID approves specs					
06-90 Local sources submit quotations					
06-90 Evaluation of offers					
07-90 Contract(s) awarded					
08-90 Commodities delivered					

C. Disbursement System

The disbursement system includes measures to assure the systematic and timely flow of project funds. The system provides for advances of A.I.D. project funds, and counterpart local currency funds to be deposited as they are generated into special project bank accounts to be maintained by IDEA. A separate bank account and accounting system will be maintained for the funds provided under the PROCAF program. IDEA will be responsible for disbursing funds from the special accounts in accordance with quarterly budget approvals, by USAID. USAID/Bolivia dollar payments for technical assistance, and training, will not be made through the special accounts, but directly to the suppliers. Table 3 describes the proposed funding procedures for A.I.D. funds.

Table 3 outlines disbursement procedures.

T A B L E 3
FUNDING PROCEDURES
FOR A.I.D. RESOURCES

<u>Major Element</u>	<u>Method of Implementation</u>	<u>Method of Financing</u>	<u>Approx. Amount</u> \$
I. <u>Technical Assistance</u>			
a) Personal Services	Purchase Order or PSC	Direct Pay	190,000
b) Institutional T.A.	Institutional contract	Direct Pay	983,000
			<u>1,173,000</u>
II. <u>Operating Expenses</u>			
a) Audits	Cooperative Agreement	Direct Reimb.	36,000
b) Salaries & Others	Cooperative Agreement	Direct Reimb.	1,531,000
			<u>1,567,000</u>
III. <u>Commodities</u>	Cooperative Agreement	Direct Reimb.	<u>120,000</u>
IV. <u>Training</u>			
a) Overseas(US and LA)	Direct placement	Direct pay	<u>75,000</u>
V. <u>Contingencies</u>		Direct pay	<u>65,000</u>
<u>T O T A L</u>			<u>3,000,000*</u>

* This figure only includes that which is authorized by this Project Paper Amendment. Additional resources, in the amount of \$1,513,000 from the Strengthening Financial Markets project will contribute to the PROCAF program housed in IDEA.

D. Financial Tables

Tables 4-11, showing the budget and additional LOP contributions to the project from AID, the GOB and the private sector, are presented on the following pages.

T A B L E 4

Technical Assistance - Detailed Budget

(US\$)		<u>AMOUNT</u>
<u>I. Cost Category</u>		
a.	<u>Salaries</u>	<u>441,000</u>
	Short-Term T.A.:	
	- 24 p/m at avg 6,000 =	144,000
	Lecturers/Speakers:	
	- 18 p/m at avg \$7,500	135,000
	Home Office	
	- 36 p/m at avg. \$4,500	162,000
b.	<u>Insurance</u>	
	4.25% of Total Salary	<u>18,743</u>
c.	<u>Travel</u>	<u>102,000</u>
	International:	
	- 1 RT USA/BOL/USA x 60 at	
	\$1,500 avg. RT	90,000
	- In Country:	
	2 RT x 60 at \$100 avg	12,000
d.	<u>Per Diem</u>	
	International:	
	- 2 days x 60 at \$6 day	720
	In Country:	
	- 12 days x 60 at \$67/day	48,240
	- 18 days x 60 at \$77/day	83,160
<u>II. Other Direct Costs</u>		<u>24,000</u>
a.	Predeparture/physical	
	exams \$100 x 60	6,000
b.	Visas and Passports	
	\$100 x 60	6,000
c.	Report Preparation	
	\$200 x 60	12,000
<u>III. Miscellaneous Direct Costs</u>		<u>88,737</u>
a.	Books and periodicals	6,000
b.	Videos and cassettes	48,000
c.	International Society	
	Membership Fees	10,000
d.	Contingencies	24,737
<u>IV. Overhead (40% of Total Base Salaries)</u>		<u>176,400</u>
Total Estimated Budget		<u>\$983,000</u>

IDEA

PROJECT'S GLOBAL BUDGETS: 1990 - 1995
(in thousands of US\$)

TABLE 5

	1990		1991		1992		1993		1994		1995		GRAND TOTAL	IDEA	PROCAF	TOTAL			
REVENUES	<hr/>																		
1.- AID Grant	620	850	1470	688	446	1134	468	217	685	444	444	397	397	383	383	3000 (a)	1513 (b)	4513	
2.- Generated by IDEA/PROCAF	288	59	347	311	57	348	352	42	395	366	366	366	366	366	366	2049	159	2208	
3.- JERICAL	105		105	105		105	105		105	105	105	105	105	105	105	630		630	
4.- GDB/ESF	500	40	540	78	78	78	69	69	69							500		187	687
5.- Private Sector Contributions	376	340		333	361		273	301										1002	1002
TOTAL REVENUES	1513	1325	2838	1104	934	2038	923	602	1527	915	915	868	868	854	854	6179	2861	9040	
<hr/>																			
EXPENDITURES	<hr/>																		
1.- Technical Assistance	140	317	457	230	190	420	230	62	292	230	230	180	180	163	163	1173	569	1742	
2.- Training	15		15	12		12	12		12	12	12	12	12	12	12	75		75	
3.- Operating Expenses	437	40	477	423	78	501	426	69	495	428	428	431	431	434	434	2379	187	2766	
4.- Concessions	30	80	110	30		30	30		30	10	10	10	10	10	10	120	80	200	
5.- Course Costs	100	813	913	106	600	706	112	423	535	120	120	120	120	120	120	678	1936	2514	
6.- Contingencies	15	18	31	10	9	19	10	5	15	10	10	10	10	10	10	65	30	95	
7.- Trust Fund	737	1266	2002	911	877	1688	820	539	1379	810	810	763	763	749	749	4690	2702	7392	
7.1.- Contribution IDEA/PROCAF	171	59	230	188	57	245	105	43	43	105	105	105	105	105	105	359	159	518	
7.2.- Contribution JERICAL	105		105	105		105	105		105	105	105	105	105	105	105	630		630	
7.3.- Contribution GDB/ESF	500		500			500			500							500		500	
TOTAL EXPENDITURES	1513	1325	2838	1104	934	2038	923	602	1527	915	915	868	868	854	854	6179	2861	9040	

a. Includes \$ 3.0 billion authorized under this Project Paper Amendment.

b. Includes \$ 1.513 billion authorized under the Strengthening Financial Partners PROCAF.

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NET GRANT BY ELEMENTS 1990 - 1995
(in thousands of US\$)

TABLE c

ELEMENTS	1990		1991		1992		1993		1994		1995		GRAND TOTAL					
	IDEA PROGRAM TOTAL	JOE PROGRAM TOTAL																
A J D Grant	620	650	1470	688	446	1134	468	217	685	444	444	397	397	383	383	3000 (a)	1513 (b)	4513
1. Technical Assistance	140	317	457	230	190	420	230	62	292	230	230	180	180	163	163	1173	569	1742
2. Training	15	15	15	12	12	12	12	12	12	12	12	12	12	12	12	75	75	75
3. Operating Expenses	420	420	420	406	406	406	186	186	186	182	182	185	185	188	188	1567	1567	1567
4. Commodities	30	80	110	30	30	30	30	30	30	10	10	10	10	10	10	120	80	200
5. General Costs	437	429	429	247	247	247	150	150									834	834
6. Contingencies	15	16	31	10	9	19	10	5	15	10	10	10	10	10	10	45	30	95
TOTAL	620	650	1470	688	446	1134	468	217	685	444	444	397	397	383	383	3000	1513	4513

a) Includes \$ 3.0 million authorized under this PP Amendment

b) Includes \$ 1,513 million authorized under the Strengthening Financial Markets Project.

JCC/soq.

IDEA/PROCAF BUDGET BY ELEMENTS 1990 - 1995
 (In thousand of US\$)

E L E M E N T S	1990			1991			1992			1993		1994		1995		GRAND TOTAL		
	IDEA	PROCAF	TOTAL	IDEA	PROCAF	TOTAL												
1. Tuition	171	59	230	188	57	245	206	43	249	227	227	227	227	227	227	1246	159	1405
2. Membership	18		18	22		22	26		26	31	31	31	31	31	31	159		159
3. Services	20		20	27		27	37		37	50	50	50	50	50	50	234		234
4. Other Activities	64		64	52		52	53		53	17	17	17	17	17	17	220		220
5. Other Sources	15		15	22		22	30		30	41	41	41	41	41	41	190		190
Generated by IDEA/PROCAF	288	59	347	311	57	368	352	43	395	366	366	366	366	366	366	2049	159	2208
1. Operating Expenses	17		17	17		17	240		240	246	246	246	246	246	246	1012		1012
2. Course Cpsts	100		100	106		106	112		112	120	120	120	120	120	120	678		678
	117		117	123		123	352		352	366	366	366	366	366	366	1690		1690
3. Trust Fund	171	59	230	188	57	245		43	43							359	159	518
TOTAL	288	59	347	311	57	368	352	43	395	366	366	366	366	366	366	2049	159	2208

IDEA

DISBURSEMENT SCHEDULE AID GRANT 1990 - 1995 (AID/IDEA FUNDS)
(in thousands of US\$.)

TABLE 6

ELEMENTS	1990			1991			1992			1993			1994			1995			GRAND TOTAL	
	FI	LC	T	FI	LC															
1. Technical Assistance/Asistencia Técnica	100	40	140	200	30	230	200	30	230	200	30	230	150	30	180	133	30	163	983	190
1.1. U.S. Contractor	100		100	200		200	200		200	200		200	150		150	133		133	983	
1.2. IDEA Contracts		40	40		30	30		30	30		30	30		30	30		30	30		190
2. Training/Entrenamiento		15	15		12	12		12	12		12	12		12	12		12	12		75
3. Operating Expenses/Costos Operativos	6	414	420	6	400	406	6	180	186	6	176	182	6	179	185	6	182	188	36	1531
3.1. External Audit/Auditoría Externa	6		6	6		6	6		6	6		6	6		6	6		6	36	
3.2. O. Expenses IDEA/C. Operativos IDEA		414	414		400	400		180	180		176	176		179	179		182	182		1531
4. Commodities/Equipamiento		30	30		30	30		30	30		10	10		10	10		10	10		120
5. Course Costs/Costo Cursos																			15	50
6. Contingencies/Contingencias	15		15		10	10		10	10		10	10		10	10		10	10		15
TOTAL	121	499	620	216	472	688	216	252	468	216	228	444	166	231	397	149	234	383	1084	1916

PROCAF

DISBURSEMENT SCHEDULE AID GRANT 1990 - 1992 (PROCAF/SFM FUNDS)
(in thousands of US\$.)

TABLE 9

ELEMENTS	1990			1991			1992			GRAND TOTAL		
	FX	LC	T	FX	LC	T	FX	LC	T	FX	LC	T
1. Technical Assistance/Asistencia Técnica	317			190			62			569		569
2. Training/Entrenamiento												
3. Operating Expenses/Costos Operativos												
4. Commodities/Equipamiento	80									80		80
5. Course Costs/Costo Cursos	260	157		138	109		69	81		467	347	834
6. Contingencies/Contingencias		16			9			5			30	30
TOTAL	677	173		328	118		131	86		1136	377	1513

I.D.E.A.

TABLE 10

YEARLY CONTRIBUTIONS TO THE TRUST FUND
(US\$. Thousands)

A N O	IDEA	PROCAF	INFDCAL	GOB/ESF	T O T A L
1990	171	59	105	500	835
1991	188	57	105	0	350
1992	0	43	105	0	148
1993	0	0	105	0	105
1994	0	0	105	0	105
1995	0	0	105	0	105
T O T A L	359	159	630	500	1648

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J.D.E.A.

TABLE 11

EVOLUTION OF THE TRUST FUND (a)
(US\$. at year end)

A N O	IDEA	PROCAF	INFDCAL	BOB/ESF	T O T A L
1990	178.695	61.655	109,725	522,500	872.575
1991	391,238	126,769	229,326	569,525	1,316,858
1992	426,450	183.113	359,691	620,782	1.590,036
1993	464,831	199,593	501,789	676,654	1.842,867
1994	506,666	217,557	656,675	737,553	2,118,451
1995	552.266	237.137	825,501	803,933	2,418.837

(a) assumes an average interest rate of 9%.

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LIST OF ANNEXES

ANNEX	1	AID/W DAEC and Project Development Cables
ANNEX	2	GC/LAC Escrow Account Cable
ANNEX	3	Budget and Financial Evolution of IDEA
ANNEX	4	PROCAF - The Financial Training Program
ANNEX	5	Business Service Centers
ANNEX	6	Estimate of the Training Revenues
ANNEX	7	Decree setting up INFOCAL
ANNEX	8	Logical Framework
ANNEX	9	History of Past Audit Experience
ANNEX	10	Request from IDEA

A N N E X 1

AID/W AND PROJECT DEVELOPMENT CABLES

AID AMB DCM ECON

Rec'd 9/14

ANNEX 1

EKHCPKQYM
WVZCZCLP0211
OO RUEHLP
DE RUEHC #3882/01 2562311
ZNR UUUUU ZZH
O 132307Z SEP 89
FM SECSTATE WASHDC
TO AEMBASSY LA PAZ IMMEDIATE 2008

File: PD&I

LOC: 383 056
14 SEP 89 231
CN: 42187
CHRG: AID
DIST: AID

BT
UNCLAS STATF 293882

Action: DP 2
Info: D/DD
PD&I EXO
CONT
C
RF 3
SF

Reply due 9/18

AIDAC

Action tkn _____

E.O. 12356:56: N/A

TAGS:

SUBJECT: BOLIVIA - MANAGEMENT TRAINING PROJECT
(511-0580) - AMENDMENT NO. 3

1. SUMMARY: THE DAEC REVIEWED THE MANAGEMENT TRAINING PROJECT AMENDMENT ON AUGUST 18, 1989 AND, SUBJECT TO THE MODIFICATIONS TO THE PP AMENDMENT LISTED BELOW THE MISSION IS DELEGATED AUTHORITY TO AUTHORIZED THE AMENDMENT WITH A NEW PACD OF JULY 31, 1995 AND LOP FUNDING OF DOLS. 6.0 MILLION. END SUMMARY.

2. ON AUGUST 18, 1989 A DAEC WAS HELD TO REVIEW THE MANAGEMENT TRAINING PROJECT PAPER AMENDMENT NO. 3. THE MEETING WAS CHAIRED BY LAC/DR (ACTING DIRECTOR) J. EVANS AND THE MISSION WAS REPRESENTED BY DIRECTOR G. R. VAN RAALTE AND J. CLOUTIER. THE MISSION IS DELEGATED THE AUTHORITY TO AUTHORIZE THE AMENDMENT AND EXTEND THE PACD TO JULY 31, 1995 ONCE THE MODIFICATIONS NOTED IN PARAS 4 AND 5 HAVE BEEN INCORPORATED INTO THE DOCUMENT.

3. ISSUES DISCUSSED DURING THE DAEC:

A. ISSUE: SHOULD A.I.D. APPROPRIATED DOLLARS BE

UTILIZED TO FINANCE MOST OF THE OPERATING COSTS OF IDEA WHILE PART OF ITS INCOME AND ESF LOCAL CURRENCY GENERATIONS ARE DEPOSITED INTO AN INTEREST BEARING ENDOWMENT?

RESOLUTION: THERE ARE NO LEGAL ISSUES OR CONTROLLER CONCERNS WHICH PROHIBIT A.I.D. FROM COVERING THE OPERATING COSTS OF IDEA WHILE IT DEPOSITS ITS OWN INCOME OR HOST COUNTRY OWNED LOCAL CURRENCY INTO A SEPARATE INTEREST BEARING ACCOUNT HELD AS AN ENDOWMENT FUND. IN VIEW OF THE IMPORTANCE OF INSTITUTIONALIZING IDEA, THE DAEC CONCURRED THAT THIS CAN BE DONE UNDER THIS PROJECT. LOCAL CURRENCIES FROM IDEA'S REGULAR PROGRAM, PROCAF AND INFOCAL FUNDS CAN BE BE CONVERTED TO DOLLARS IN ORDER TO PROTECT THE VALUE OF THE FUND. THE DOLLARS SHOULD BE MAINTAINED IN DOLLAR ACCOUNTS HELD IN BOLIVIA.

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AFTER THE DAEC THE QUESTION OF WHETHER HOST COUNTRY OWNED LOCAL CURRENCY PROVIDED AS COUNTERPART TO DOLLAR ASSISTANCE UNDER THE ESF CASH TRANSFER CAN BE CONVERTED TO DOLLARS FOR THE ENDOWMENT WAS DISCUSSED IN A SEPARATE MEETING WITH THE AAA/LAC. THE DECISION IS NOT TO ALLOW IDEA TO CONVERT THIS HOST COUNTRY OWNED LOCAL CURRENCY INTO DOLLARS FOR THE ENDOWMENT. WE BELIEVE THIS APPROACH IS CONSISTENT WITH THE RATIONALE FOR PROVIDING THE DOLLARS UNDER OUR ESF CASH TRANSFER PROGRAMS. CONSISTENT WITH THE BUREAU'S DECISION ON AN ENDOWMENT FUND FOR THE EARTH PROJECT IN COSTA RICA, THE INTEREST EARNED BY THE ENDOWMENT FROM THE ESF GENERATED LOCAL CURRENCY ACCOUNT CAN BE CONVERTED TO DOLLARS.

B. ISSUE: IS THE USE OF ESF LOCAL CURRENCY FOR THE ENDOWMENT CONSISTENT WITH POLICY DETERMINATION-5 SUPPLEMENTAL GUIDANCE ON PROGRAMMING LOCAL CURRENCY?

RESOLUTION: GC/LAC ADVISES THAT USE OF HOST COUNTRY-OWNED LOCAL CURRENCY FOR THE ENDOWMENT FUND IS CONSISTENT WITH PD-5.

C. ISSUE: SHOULD SUBSIDIZED ACTIVITIES NOT CENTRAL TO THE OVERALL PROJECT, AND WHICH COULD COMPETE WITH THE PRIVATE SECTOR, BE INCLUDED AS A COMPONENT OF THIS PROJECT?

RESOLUTION: THE DAEC DID NOT PROHIBIT THE PROJEC FROM PURSUING INCOME GENERATING ACTIVITIES IF THE ACTIVITIES

WILL LEAD TO DEVELOPING A SELF-SUSTAINABLE IDEA BY THE END OF THE PROJECT. IDEA SHOULD NOT, HOWEVER, GET INVOLVED IN ANCILLARY SERVICE ACTIVITIES THAT ARE INCONSISTENT WITH THE PROJECT PURPOSE EMPHASIS. THE MISSION SHOULD ENSURE THAT THE SERVICES INITIATED DO NOT COMPETE WITH THE FOR-PROFIT PRIVATE SECTOR AND THAT COSTS ARE FULLY RECOVERED WITH A MARGIN OF INCOME GENERATED.

4. CLARIFICATIONS REACHED IN THE ISSUES MEETING:

A. IMPLEMENTATION PLAN: THE PP AMENDMENT DOES NOT CLEARLY STATE HOW THE CONTRACTORS WILL BE SELECTED AND HOW THE ACTIVITIES WILL BE IMPLEMENTED. THE MISSION WILL PROVIDE A PROCUREMENT PLAN IN THE DOCUMENT WHICH PROVIDES THE PROCEDURES TO BE FOLLOWED IN SELECTION OF CONTRACTED SERVICES. IN ADDITION, AN IMPLEMENTATION PLAN WILL BE INCLUDED IN THE PAPER DESCRIBING THE TIMING OF THE IMPLEMENTATION ACTIONS, ESPECIALLY WITH RESPECT TO CONTRACTING ACTIONS, COMPLETION OF THE STRATEGIC PLAN, AND COMPLETION OF THE TWO YEAR ACTION PLAN.

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THE AMENDMENT WILL INCLUDE METHODS OF DISBURSEMENT AND WHETHER THERE ARE ANY CONDITIONS PRECEDENT TO DISBURSEMENT OR COVENANTS WHICH WILL BE INCLUDED IN THE COOPERATIVE AGREEMENT WITH IDEA.

B. CONTROL OF THE ENDOWMENT/TRUST FUND: THE MISSION PLANNED TO EXERCISE CONSIDERABLE CONTROL OVER IDEA OPERATING COSTS OVER THE SIX YEAR EXTENSION OF THE PROJECT AND TO CONTROL DISBURSEMENTS FROM THE ENDOWMENT FUND FOR FOUR YEARS AFTER THE PACD. ALTHOUGH IT MAKES SENSE FOR A.I.D. TO CLOSELY MONITOR OPERATING EXPENSES DURING THE PERIOD IN WHICH IDEA'S OPERATIONS ARE BEING FUNDED BY THE PROJECT, IT WOULD NOT BE PRUDENT FOR A.I.D. TO CONTINUE TO APPROVE DISBURSEMENTS FROM THE ENDOWMENT FUND FOLLOWING COMPLETION OF THE PROJECT. THE MISSION AGREED TO REMOVE ANY REFERENCE TO A.I.D. CONTROLLING THE ENDOWMENT FUND AND THE AMENDMENT WILL CLEARLY STATE THAT NO RELEASES WILL BE MADE FROM THE ENDOWMENT FUND DURING THE PROJECT AND THAT IDEA WOULD CONTROL THE FUND AFTER THE PACD. THE MISSION SHOULD ENSURE THAT PROCEDURES GOVERNING THE USE OF ENDOWMENT FUNDS CONTAIN APPROPRIATE CRITERIA FOR THEIR USE.

C. TRAINING OF GOB EMPLOYEES AT IDEA: DURING

IMPLEMENTATION OF THE PROJECT SOME PUBLIC SECTOR EMPLOYEES HAVE ATTENDED TRAINING SESSIONS AT IDEA. WHILE THE PUBLIC SECTOR IS NOT THE PRIMARY AUDIENCE FOR IDEA TRAINING, GOB EMPLOYEES WILL CONTINUE TO BE ALLOWED TO ATTEND IDEA TRAINING COURSES UNDER THE SAME CONDITIONS AS OTHER PARTICIPANTS.

D. PURPOSE OF TECHNICAL ASSISTANCE: THE T.A. OBTAINED BY IDEA WILL BE USED FOR TWO PURPOSES, A MAJOR PORTION TO BE USED TO SUPPLEMENT THE REGULAR TEACHING STAFF AND TO HOLD SEMINARS ON SPECIAL SUBJECTS AND ALSO TO PROVIDE ASSISTANCE TO IDEA IN IMPROVING ITS GENERAL AND FINANCIAL MANAGEMENT. AMONG THE FIRST ACTIVITIES TO BE UNDERTAKEN BY THE T.A. WILL BE A SERIES OF MARKETING STUDIES TO DETERMINE THE PROJECTED DEMAND FOR TRAINING AND THE ABILITY OF THE CLIENTS TO PAY FOR THIS TRAINING. ASSISTANCE TO IDEA WILL ALSO BE PROVIDED FOR DEVELOPMENT OF A LONG RANGE STRATEGIC PLAN AND FOR DEVELOPMENT/IMPLEMENTATION OF FUND RAISING ACTIVITIES.

E. TRAINING OF IDEA INSTRUCTORS: THE AMENDMENT GIVES THE IMPRESSION THAT A RELATIVELY LARGE NUMBER OF BUSINESSMEN AND WOMEN HAVE BEEN TRAINED AS INSTRUCTORS FOR IDEA. IN FACT, THE TRAINING ACTIVITIES ARE RELATIVELY MINOR AND DIRECTED TO IMPROVEMENT OF THE TEACHING PERSONNEL. THE 22 COURSES USED FOR TRAINING OF INSTRUCTORS WERE ATTENDED BY THE 19 FULL-TIME EMPLOYEES OF IDEA AND APPROXIMATELY 100 BUSINESSMEN AND WOMEN WHO

PERIODICALLY TEACH EVENING CLASSES FOR IDEA. IN MANY CASES THE INSTRUCTORS MAY HAVE ATTENDED MORE THAN ONE COURSE WHICH WERE TAUGHT BY CONTRACTED T.A. OR IDEA STAFF.

5. OTHER ITEMS WHICH SHOULD BE CLARIFIED IN THE DOCUMENT:

A. REFERENCE TO A U.S. UNIVERSITY AS THE SUPPLIER OF T.A. TO IDEA IS ONLY ILLUSTRATIVE. THE MISSION WILL CONSIDER OTHER SOURCES FOR THESE T.A. SERVICES AND WILL SOLICIT FROM A WIDE RANGE OF INSTITUTIONS AND ORGANIZATIONS FOR PROVISION OF THE T.A. SERVICES.

B. THE MISSION SHOULD REVIEW THE COST ESTIMATES FOR THE PROPOSED T.A. UNDER THE PROJECT AND ATTEMPT TO REDUCE THEM. DOLS. 983,000 TO SUPPORT ⁴²/₁₈ PERSON/MONTHS OF T.A. IS HIGH AND IDEA WOULD NOT BE ABLE TO SUPPORT SUCH COSTLY TA ON A SELF-SUSTAINING BASIS.

C. DURING THE PROCESS OF MODIFYING THE DOCUMENT THE MISSION SHOULD CLARIFY THAT PAYMENTS TO IDEA UNDER THE PROCAF ACTIVITIES CANNOT INCLUDE ENTREPRENEURIAL PROFIT. IDEA SHOULD NOT BE PAID TWICE FOR COSTS, ONCE AS RECEIPTS FROM THE PROCAF ARRANGEMENT (DOLS. 63,000), AND ALSO UNDER THIS PROJECT WHERE ALL OPERATIONS COSTS ARE BEING FUNDED BY A.I.D.

D. THE CURRENT PROJECT SCENARIO IS FOR THE PROJECT TO COVER ALL OPERATIONAL COSTS FOR IDEA FOR THE FIRST TWO YEARS OF THE EXTENSION PERIOD. IDEA HOWEVER, MAY NEED TO FUND AN ACTIVITY WHICH A.I.D. CAN NOT REIMBURSE SUCH AS ENTERTAINMENT EXPENSES. PROJECT DESIGN COULD BE ALTERED TO ALLOW FOR THIS, FOR INSTANCE BY REDUCING SLIGHTLY THE AMOUNT OF IDEA FUNDS DEPOSITED INTO THE ENDOWMENT FUND. THIS WOULD NOT BE NECESSARY IF IDEA IS SUCCESSFUL IN ITS FUND RAISING ACTIVITIES.

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F. SUSTAINABILITY OF IDEA WILL CONTINUE TO BE AN IMPORTANT PART OF THIS PROJECT AND THE MISSION SHOULD ATTEMPT TO CONFIRM THAT FUNDS PROVIDED BY INFOCAL WILL CONTINUE INTO THE FUTURE. THE MISSION SHOULD ALSO URGE IDEA TO PUSH FORWARD WITH ITS PLANS FOR A FUND RAISING COMPONENT IN THE ORGANIZATION TO HELP INCREASE INCOME TO DEFRAY OPERATIONAL COSTS OF IDEA.

F. THE MODIFIED DOCUMENT MUST ALSO INCLUDE AN EVALUATION PLAN, THE SUMMARY COST ESTIMATE AND FINANCIAL PLAN AND THE PROJECTION OF EXPENDITURES BY FISCAL YEAR TABLES. THE PAYMENT VERIFICATION POLICY REQUIRES AN ASSESSMENT OF THE METHODS OF IMPLEMENTATION AND FINANCING OF THE PROJECT AS WELL AS A JUSTIFICATION OF DEPARTURES FROM THE PREFERRED FINANCING ALTERNATIVES, IF ANY. A HISTORY OF PAST AUDIT EXPERIENCE AND AN EVALUATION OF AUDIT NEEDS SHOULD BE INCLUDED AND PROJECT FUNDS SHOULD BE SPECIFICALLY BUDGETED FOR AUDIT.

G. THERE ARE NO STATUTORY PROHIBITIONS AGAINST USING A.I.D. FUNDS TO PROVIDE MERIT OR PERFORMANCE-BASED PAY TO IDEA EMPLOYEES. MISSION SHOULD HOWEVER, CONSULT WITH THE REGIONAL CONTRACTS OFFICER AND THE MISSION CONTROLLER TO ASSURE THAT ANY SUCH PAY SYSTEM IS CONSISTENT WITH COST PRINCIPLES AND OTHER STANDARD PROVISIONS APPLICABLE TO HANDBOOK 13 GRANTS AND COOPERATIVE AGREEMENTS. IN ORDER TO MINIMIZE THE

POTENTIAL FOR ABUSE, IDEA MUST HAVE (OR DEVELOP AND ADOPT) FORMAL GUIDELINES THAT ESTABLISH A FAIR AND REASONABLE SYSTEM FOR AWARDED PERFORMANCE PAY. SUCH A SYSTEM SHOULD HAVE MEASURABLE, OBJECTIVE CRITERIA FOR ELIGIBILITY FOR PERFORMANCE PAY AND PROCEDURES FOR RECOMMENDING AND APPROVING SUCH PAY. THE MISSION MAY WISH TO PROVIDE IDEA WITH INFORMATION CONCERNING THE MISSION'S OWN SYSTEM FOR AWARDED PERFORMANCE PAY TO ITS BOLIVIAN NATIONAL EMPLOYEES. BAKER

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Rec'd 5/15

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OO RUEHLP
DE RUEBC #1701 133010Z
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TO RUEHLP/AMEMBASSY LA PAZ IMMEDIATE 0273
INFO RUEHQT/AMEMBASSY QUITO PRIORITY 5390
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LOC: 205 489
13 MAY 89 0102
CN: 21946
CHRG: AID
DIST: AIDE

ACTION: DF 2
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UNCLAS STATE 151701

REPLY DUE 5/17

AIDAC

E.O. 12356: N/A ACTION TKN _____
TAGS:
SUBJECT: MANAGEMENT TRAINING PROJECT AMENDMENT
(511-0580)

REF: A) STATE 076529 B) LA PAZ 03217 C) STATE 086552 D) LA
PAZ 05052 E) LA PAZ 05158 F) STATE 139275

1. WE HAVE REVIEWED REFS D AND E ALONG WITH THE FIVE YEAR PROJECT STRATEGIC PLAN RECEIVED LAST WEEK FROM ISTI. WE UNDERSTAND THAT THESE DOCUMENTS FORM THE BACKGROUND OF YOUR PROPOSED SIX YEAR PROJECT EXTENSION USING AN ADDITIONAL DOLS 2 MILLION OF A.I.D. FINANCING TO ACHIEVE SUSTAINABILITY OF THE MANAGEMENT TRAINING INSTITUTION QUOTE IDEA UNQUOTE.
2. THE STRATEGIC PLAN AND REF E PROPOSAL TO ESTABLISH AN ESCROW ACCOUNT FOR FEE INCOME RAISE DESIGN AND FEASIBILITY QUESTIONS WORTHY OF CLOSE REVIEW. AS NOTED IN REF F, AN OBVIOUS QUESTION EMERGES REGARDING A.I.D.'S USE OF APPROPRIATED DOLLARS TO PAY OPERATING EXPENSES WHILE IDEA ACCUMULATES QUOTE FEE INCOME UNQUOTE IN A SEPARATE ACCOUNT. THE ESCROW PROPOSAL WILL RECEIVE A GREAT DEAL OF AUDIT SCRUTINY. OTHER CONCERNS INCLUDE: A) THE FINANCING OF PROCAF FROM THE A.I.D. STRENGTHENING OF FINANCIAL MARKETS PROJECT; B) TO WHAT EXTENT A.I.D. SHOULD BE UNDERWRITING MOST OF THE RECURRENT COSTS OF IDEA; C) THE APPARENT DROP IN PRIVATE SECTOR MEMBERSHIP WITH LOW LEVELS OF FINANCIAL SUPPORT TO IDEA; AND D) WHETHER IT IS ESSENTIAL THAT A.I.D. SUPPORT THIS ORGANIZATION UNDER THE TWO PROJECTS SIMULTANEOUSLY AT THE PROPOSED LEVELS AND FOR AN EXTENDED PERIOD OF TIME.
3. THE MISSION IS WORKING ON A VERY INTERESTING SET OF PRIVATE SECTOR DEVELOPMENT PROBLEMS THAT TOUCH UPON SOME POLICY QUESTIONS AND IMPORTANT DESIGN ISSUES. THE PROPOSED AMENDMENT REPRESENTS A SUBSTANTIVE MODIFICATION TO THE CURRENT DESIGN. TO GIVE THE MISSION AN OPPORTUNITY TO ARTICULATE IT'S PROPOSED APPROACH TO DEAL WITH THESE AND OTHER ISSUES, THE PROJECT PAPER SUPPLEMENT WILL BE REVIEWED IN AID/W.

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4. PLEASE ADVISE THE BUREAU WHEN WE CAN EXPECT TO
RECEIVE THE PP AMENDMENT IN ORDER TO SCHEDULE ISSUES AND
DAEC MEETINGS IN A TIMELY FASHION. EAGLEBURGER
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A N N E X 2

GC/LAC ESCROW ACCOUNT CABLE

ID AMB DCM ECON

REC'D 5/4

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O RUEHLP
E RUEHC #9275 1240154
NR UUUUU ZZB
R 040153Z MAY 89
M SECSTATE WASHDC
O RUEHLP/AMEMBASSY LA PAZ IMMEDIATE 0110
NFO RUEHQT/AMEMBASSY QUITO 5252

FILE: PD&I

LOC: 188 249
04 MAY 89 0146
CN: 20073
CHRG: AID
DIST: AIDE

BT
UNCLAS STATE 139275

ACTION: DP/2
INFO: D/DD
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AIDAC QUITO FOR ALEX NEWTON

E.O. 12356: N/A

LAGS:
SUBJECT: MANAGEMENT TRAINING PROJECT AMENDMENT
(511-0580)

REPLY DUE 5/8

REF: LA PAZ 5158

ACTION TKN

1. PER REF CABLE GC/LAC UNDERSTANDS THAT THE "ESCROW ACCOUNT" PROPOSED TO BE ESTABLISHED UNDER THE SUBJECT AMENDMENT WOULD NOT, REPEAT NOT, RECEIVE OR CONTAIN ANY AID APPROPRIATED FUNDS OR LOCAL CURRENCY GENERATED UNDER PL 480 PROGRAMS OR ESF CASH TRANSFERS. IN OTHER WORDS AID PROJECT FUNDING WOULD BE USED EXCLUSIVELY FOR PROJECT ACTIVITIES, NOT FOR THE ESCROW ACCOUNT. IDEA WOULD USE ITS "FEE INCOME" DURING THE NEXT SIX YEARS (ESTIMATED TO BE DOLS 1.545 MILLION) TO MAKE CONTRIBUTIONS TO THE ESCROW ACCOUNT. GC/LAC UNDERSTANDS THE TERM "FEE INCOME" REFERS TO TUITION CHARGED FOR COURSES CARRIED OUT BY IDEA WITH AID FUNDS AND OTHER PAYMENTS FOR SERVICES PROVIDED BY IDEA TO PRIVATE BUSINESSES. THIS "FEE INCOME" PLUS OTHER INCOME FROM NON-AID SOURCES (ESTIMATED TO BE DOLS 720,000) WOULD BE ACCUMULATED AND DEPOSITED IN A FINANCIAL INSTITUTION WHICH WOULD HOLD THE ESCROW ACCOUNT. AT THE END OF THE

EXTENDED PROJECT IN 1995, THE PRINCIPAL AND INTEREST IN THE ESCROW ACCOUNT WOULD BE USED TO HELP PAY IDEA'S OPERATING EXPENSES AFTER THE PACD.

2. SUBJECT TO THE FOLLOWING CONDITION, GC/LAC CONCURS IN THE ESCROW ACCOUNT AS DESCRIBED IN REF CABLE. AID CANNOT USE APPROPRIATED FUNDS OR US OWNED LOCAL CURRENCY TO ESTABLISH AN ENDOWMENT FUND FOR IDEA WITHOUT CONGRESSIONAL AUTHORIZATION. THEREFORE IT IS CRITICAL THAT NO AID FUNDS BE DEPOSITED IN THE ESCROW ACCOUNT. THERE MUST BE STRICT ACCOUNTING TO TRACK THE USE OF ALL AID FUNDS TO SHOW THAT SUCH FUNDS ARE USED ONLY FOR OTHER PROJECT ACTIVITIES OR COMPONENTS, NOT FOR THE ESCROW ACCOUNT.

3. THE PROPOSED AMENDMENT RAISES AN OBVIOUS PROJECT DESIGN ISSUE. WHY SHOULD AID FINANCE WITH APPROPRIATED DOLLARS THE LOCAL COSTS NEEDED FOR THE OPERATING

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EXPENSES OF IDEA WHILE IDEA TAKES IN LOCAL CURRENCY AS
"FEE INCOME" AND DEPOSITS IT IN THE ESCROW ACCOUNT,
RATHER THAN USING IT TO DEFRAY OPERATING EXPENSES? IN
OTHER WORDS, SHOULD AID BE USING APPROPRIATED DOLLARS TO
COVER LOCAL CURRENCY COSTS THAT IDEA COULD BE PAYING
WITH "FEE INCOME"? IN GC/LAC'S VIEW, THESE ARE POLICY
QUESTIONS FOR MISSION AND BUREAU CONSIDERATION. SO LONG
AS AID FUNDS WERE NOT USED FOR THE ESCROW ACCOUNT, NO
LEGAL ISSUE WOULD ARISE. BAKER

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A N N E X 3

BUDGET AND FINANCIAL EVOLUTION OF IDEA

BUDGET AND FINANCIAL EVOLUTION OF IDEA

The IDEA project which started in August 1985 had the following budget by sources over a four year period:

In US\$	AID	IDEA	PL 480	TOTAL
1) Technical Assistance	766.650			766.650
2) Operation Costs	368.450	245.311		613.761
3) Equipment	196.000			196.000
4) Training	50.000		150.000	300.000
5) Cost of Courses	249.360	653.833		903.193
6) Contingencies	269.530	77.426		346.956
	<hr/> 1.999.990	976.570	150.000	3.126.560

The grant from A.I.D. was supposed to support the project entirely during the first year and 75%, 50% and 25% in the following three years. The gradual decrease in AID support was to be matched by IDEA's own generation of funds through increases in tuition and membership revenues.

In February 1986, the second letter of implementation changed the support of AID: in the first year AID would provide 100% of operation costs and in the next 3 years this support would decrease to 80%, 40% and 40%. During this period the system of pari-passu would be implemented.

In September 1986, AID increased its assistance by US\$700.000 and the new budget was the following:

	AID	IDEA	PL 480	TOTAL
1) Technical Assistance	1.000.000	30.000		1.030.000
2) Operation Costs	498.454	287.000	55.000	840.454
3) Equipment	266.000			266.000
4) Training	170.000	230.000		400.000
5) Costs of Courses	429.364	320.000	75.000	824.364
6) Contingencies	336.182	110.000	20.000	466.182
US\$	<hr/> 2.700.000	977.000	150.000	3.827.000

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In this revised budget, 34% of AID assistance was directed to technical assistance, 26% to course costs and 19% to operation costs. The larger than expected demand for training justified the increase in the grant.

In July 1987, USAID decided to continue to support IDEA and to assure the permanency of the institute and added additional US\$300 and the newly revised budget was the following:

	AID	IDEA	PL 480	TOTAL
1) Technical Assistance	1.100.000	30.000		1.130.000
2) Operation Costs	588.454	317.000	55.000	960.454
3) Equipment	376.000			376.000
4) Training	170.000	230.000		400.000
5) Cost of Courses	439.364	320.000	75.000	824.364
6) Contingencies	336.182	110.000	20.000	666.182
US\$	3.000.000	1.007.000	150.000	4.157.000

With this last increase in funding, it was expected that the objective of self sustainability of IDEA from the 5th year on was attainable.

The objective of self-sustainability of the original design of the project was based on the following elements:

- 1) Foreign technical assistance, a major cost then, would no longer be necessary
- 2) Training of personnel and instructors would not be necessary and
- 3) No more equipment would need to be purchased.

Thus in the fifth year, with costs limited to operations and courses, self sustainability was to be attainable as long as revenues from tuition and membership would triple.

A mid term evaluation in September 1988 clearly stated that reaching self sustainability in the fifth year was a very optimistic goal due to the fact that revenues generated by IDEA were substantially below the levels projected. Even substantial cost savings could not ensure financial equilibrium.

In fact, revenues from tuition were only one third of the projected amount while revenues from membership fees were barely one eighth of

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projected levels. If revenues generated by IDEA from other services are included (and ESF funding excluded) total revenues reached only 37% of the amount estimated in the project.

While the number of courses and the number of persons who paid tuition surpassed all projections, the low tuition revenues are explained by a price problem. Initial projections assumed that tuition revenues would cover all variable costs plus 10% of fixed costs. Upon implementation of the project, it was clear that this formula would set prices substantially above the ability of firms and individuals to pay in the current economic situation of the country.

As a result, IDEA tuition fees are in the range of US\$31 to US\$77 instead of the US\$56 US\$121 originally planned.

While the Project Paper was very conservative as to the potential market for management training, it appears that it overestimated the ability of the market to pay.

The evaluation recommended the following measures as necessary steps toward financial equilibrium:

- 1) To reduce the operational costs to US\$400,000
- 2) To reduce the costs of courses to US\$100,000
- 3) To increase tuition revenues to US\$200,000
- 4) To increase membership revenues to US\$50,000
- 5) To increase revenues from other activities to US\$50,000

Since the second semester of 1988, IDEA has succeeded in substantially reducing its costs through better control and an administrative reorganization, including personnel reduction. At the same time, IDEA has maintained the growth of its training activities which results in higher revenues.

A N N E X 4

PROCAF - THE FINANCIAL TRAINING PROGRAM

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PROCAF

THE FINANCIAL TRAINING PROGRAM

1. Aimed at improving the performance of Bolivia's financial sector, AID recently approved a Strengthening Financial Markets Project (hereafter SFM).
2. With an AID contribution totaling US\$5.0 million in grant funds, the SFM will have two main components: improvement of private sector financial institutions and financial sector policy research and analysis. The first component will include a Financial Training Program (FTP or PROCAF in the Spanish abbreviation) which, according to the project budget, will be the most important single activity of the SFM (nearly one third of the AID grant).
3. The rationale underlying PROCAF is that a noticeable lack of well-trained professionals in the financial institutions has resulted in poor--if any--application of sound credit policies and procedures, modern marketing techniques, financial controls and effective management information systems. Therefore, the objective of PROCAF is to strengthen ICI's managerial and technical capabilities.
4. The specific purposes of PROCAF will be the following:
 - a. To identify the training needs of private financial sector institutions;
 - b. To design, develop and deliver short-term training courses and workshops;
 - c. To carry out a continuing program of courses or financial topics, and
 - d. To select, develop and train local instructors.
5. Based on a training needs assessment conducted as part of the SFM development process, over a three year period PROCAF will deliver 59 courses for some 1,100 participants belonging to the three target groups that were identified (senior, middle and operational) in the following areas:

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<u>Level</u>	Number of			<u>Training Fields</u>
	Courses	Participants		
<u>Senior:</u>	11	165	o	Advanced Credit Analysis
Senior Executives, Vice-Presidents, Presidents & Directors of the Financial Institutions			o	Strategic Planning
			o	Risk Management
			o	Savings Mobilization
			o	Managing Technology
			o	Management Information Systems
<u>Middle:</u>	25	500	o	Intermediate Credit
Heads of Departments & Divisions			o	Problem Loans
			o	Marketing Concepts
			o	Treasury Management
			o	Human Resources Management
			o	Bank Operations
			o	Simulation Game
			o	Managing Productivity
			o	Intermediate Trade Finance
			o	Financial Control and Analysis
			o	Rural Credit Delivery
<u>Operational:</u>	23	460	o	Basic Credit Analysis and Management
First-line Supervisors, Heads of small units or Departments			o	Sales Skills
			o	Basic Treasury Operations
			o	Developing Management Skills
			o	Basic Technology Concepts
			o	Services Management
			o	Basic Trade Finance
			o	Basic Financial Control

6. AID has selected IDEA as the institution that will carry out PROCAF. Moreover, AID considers that the participation of IDEA in the implementation of the program is vital for the success and continuity of PROCAF, particularly upon termination of AID assistance. For that reason, the Mission in Bolivia has requested, and obtained, from the AID Assistant Administrator for Latin America and the Caribbean (AA/LAC) the authorization to invite only IDEA to submit a Cooperative Agreement proposal under the SFM project (Per State 380944, this waiver was approved by the AA/LAC as part of the Project Paper authorization).
7. Under the provisions of the Project Paper, AID will finance the basic costs of setting up PROCAF and will be ultimately responsible for its operating costs. The grant totals \$1,581,000. The breakdown of that amount is as follows:

a. Technical Assistance	US\$798,000
b. Course Costs	592,000
c. Operating Costs	111,000
d. Commodities	<u>80,000</u>
	\$1,581,000
8. In addition to this amount, expected course revenues of US\$159,000 (subsequently increased to US\$189,000) was projected for the life of the project.
9. As it might have been expected, over the development and refinement of the project (and particularly over the negotiation process between IDEA and USAID/Bolivia) these figures, as well as the breakdown, have been partially modified. However, the changes already agreed--presumably not the final ones--do not alter the order of magnitude of PROCAF. In any case, the grant will be not lower than one and a half million dollars.
10. Notwithstanding the size of the grant--as well as the significance of the recognition of IDEA as the only Bolivian institution with the ability to carry out PROCAF-- it appears to be obvious that only a fraction of the total counts as a net contribution to the finances of IDEA. Although the technical assistance (TA) will certainly improve IDEA's expertise, its financial implication for the latter is null. It should be noticed that TA will take 50% of the grant. The same judgement may be made with respect to the course delivery costs that will be furnished through foreign specialized firms (30% of the original-- e.g., prior to the negotiation--budget), etc. Therefore, from a strictly financial point of view, the relevant question is: What are the benefits for IDEA that accrue from PROCAF?

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11. Conceptually, those benefits are the following:
 - a. Tuition fees
 - b. Project costs payable to IDEA
 - c. IDEA entrepreneurial profit

12. The amount of each of them may be derived from the detailed financial plan negotiated between the staff and USAID/Bolivia (see Table II.I). It should be pointed out that, on the expenditure side, the plan--realistically--includes only current expenses to be paid locally. In other words, it is exclusive of TA and course delivery costs to be contracted abroad. It is also exclusive of commodities.

13. Tuition fees and IDEA profit being clearly specified in the plan, the only remaining problem is the identification of project costs directly payable to IDEA. Out of the many cost items that have been considered, space rental for classrooms and offices (belonging to IDEA) and (contribution to) salaries of IDEA personnel for working time that they will devote to PROCAF, are the project costs that will directly be paid to IDEA. Since both have to be paid anyway (with funds from the regular budget), once the marginal cost of "selling" these services to PROCAF is deducted, the remaining constitutes a net earning for IDEA. With regard to the contribution for salaries, it has to be emphasized that, with the exception of an additional secretary which most likely has to be hired to strengthen the financial office --a decision that AID should certainly agree and authorize--, the rest of the personnel will attend the tasks that PROCAF will demand at no extra cost for IDEA.

14. All items considered, the following is a summary of the financial earnings for IDEA that will accrue from PROCAF over the life of the project. The details of the calculation are shown in Table II.II.

(In US \$)	<u>Year 1</u>	<u>Year 2</u>	<u>Year 3</u>	<u>TOTAL</u>
I. Tuition Fees	64,800	68,400	55,800	189,000
II. Project Costs Payable to IDEA	35,682	22,314	18,699	76,995
III. IDEA Profit	21,253	20,311	22,575	63,939
TOTAL	121,735	111,025	96,874	329,634

15. Not all this money may be spent freely by IDEA. All course revenues must be deposited in an escrow account until the end of the project, in order to ensure the continuity of PROCAP upon termination of the financial assistance. These compulsory savings, capitalized at an annual rate of 10%, will amount, at the end of year 3, to US \$ 219,920. (See Table II.III). Assuming that both revenues and expenses will continue at the same level of the third year (e.g., a net cost or deficit of US \$ 124,922), the accumulated funds would be sufficient for financing a full fourth year and almost nine-tenths of a fifth years. Beyond that limit, new external funds should be necessary if the program is to be fully continued.
16. Alternatively, if, as a result of a voluntary decision of IDEA, all net earnings (e.g., tuition fees + project costs received by IDEA + profit) are deposited and capitalized in the escrow account, at the end of year 3 the program would be endowed with US \$ 384,618 (See tables II.III and II.IV). Under the same assumptions, this amount would suffice for financing slightly over three and a half additional years. The feasibility of this alternative, however, relies critically on the size of the potential market for this type of courses. The hypothesis of an exhaustion, or at least a significant decrease of the market should be carefully examined.

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TABLE No. 1
USAID GRANT FUND

(in U.S. Dollars)

DIRECT COST	YEAR 1	YEAR 2	YEAR 3	TOTAL
A. TRAINERS				
SENIOR	80,000	40,400	16,200	136,600
MID-LEVEL	120,000	65,520	35,040	220,560
LOW-LEVEL	80,000	32,160	17,640	129,800
sub-total	280,000	138,080	68,880	486,960
B. MATERIALS				
SENIORS	4,200	4,200	3,150	11,550
MID-LEVEL	8,000	9,000	8,000	25,000
LOW-LEVEL	8,000	8,000	7,000	23,000
sub-total	20,200	21,200	18,150	59,550
C. PROMOTION				
SENIORS	2,000	2,000	1,500	5,500
MID-LEVEL	4,000	4,500	4,000	12,500
LOW-LEVEL	4,000	4,000	3,500	11,500
sub-total	10,000	10,500	9,000	29,500
D. RENT CLASSROOM				
SENIORS	1,920	1,920	1,440	5,280
MID-LEVEL	4,480	5,040	4,480	14,000
LOW-LEVEL	4,480	4,480	3,920	12,880
sub-total	10,880	11,440	9,840	32,160
Total I	321,080	181,220	105,870	608,170
II. INDIRECT COST				
A. IDEA OPERATING EXPENSES				
I. SALARIES				
SENIORS	3,980	2,266	1,700	7,946
MID-LEVEL	13,266	8,498	7,554	29,318
LOW-LEVEL	13,266	7,554	6,609	27,429
sub-total	30,512	18,318	15,863	64,693
B. RENT OF COMPUTER SOFTWARE				
	2,000	0	0	2,000
Total II	32,512	18,318	15,863	66,693
SUB-TOTAL (I AND II)	353,592	199,538	121,733	674,863

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TABLE No.
USAID GRANT FUND

(in U.S. Dollars)

Page No. 2.

III. COMMODITIES	80,000			80,000
IV. IDEA OVERHEAD (23.6% OF SUB-TOTAL I+II)	83,448	47,091	28,729	159,268
V. CONTINGENCIES (4.5% OF SUB-TOTAL I+II)	15,912	8,979	5,478	30,369
TOTAL GRANT TO IDEA PER YEAR	532,951	255,608	155,940	944,500

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TABLE No. 2
PROGRAM BUDGET

(in U.S. Dollars)

C O N C E P T	TOTAL	A.I.D.	P. SECTOR	BOB/ESF
A. Tech. Assistance	569,000	569,000	0	0
B. Courses Deliv. Cost	1,538,000	377,290	1,161,000	0
C. Trainers (46 ppl)	486,960	486,960	0	0
D. Commodities Four computers, printers, other office equipment	80,000	80,000	0	0
E. Operating Costs Financial Training Program Office	187,000	0	0	187,000
TOTAL	2,860,960	1,513,250	1,161,000	187,000

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PROCAF : NET EARNINGS TO BE GAINED BY IDEA OVER THE LIFE OF THE PROJECT (3 YEARS)

In US\$

Item	YEAR 1	YEAR 2	YEAR 3	TOTAL
<u>I. TUITION FEES</u>	<u>64,600</u>	<u>68,400</u>	<u>55,800</u>	<u>189,000</u>
<u>II. PROJECT COSTS PAYABLE TO IDEA (I+2+3)</u>	<u>35,682</u>	<u>22,314</u>	<u>18,699</u>	<u>76,995</u>
<u>1. Space Rental (1.1 + 1.2)</u>	<u>9,581</u>	<u>10,069</u>	<u>9,269</u>	<u>28,919</u>
<u>1.1 Classrooms</u>				
1.1.1. Gross Rental	10,880	11,440	9,840	32,160
1.1.2. Less Maintenance Costs (40%)	- 4,352	- 4,576	- 3,436	- 12,864
Net Rental (1.1.1 - 1.1.2)	6,528	6,864	5,904	19,296
<u>1.2 Offices</u>				
1.2.1. Gross Rental	5,068	5,342	5,609	16,039
1.2.2. Less Maintenance Costs (40%)	- 2,035	- 2,137	- 2,244	- 6,416
Net Rental (1.2.1 - 1.2.2)	3,033	3,205	3,365	9,603
<u>2. Salaries IDEA Personnel (2.1-2.2)</u>	<u>24,101</u>	<u>12,245</u>	<u>9,430</u>	<u>45,777</u>
2.1. Gross Contribution	30,176	18,624	16,122	64,922
2.2. (Less) Salary Additional Secretary	- 6,074	- 6,379	- 6,698	- 19,151
Net Contribution (2.1 - 2.2)	24,101	12,245	9,430	45,777
<u>3. Software</u>	<u>2,000</u>			<u>2,000</u>
<u>III PROFIT (IDEA)</u>	<u>21,253</u>	<u>20,311</u>	<u>22,375</u>	<u>63,939</u>
<u>TOTAL (I+II+III)</u>	<u>121,735</u>	<u>111,025</u>	<u>96,674</u>	<u>329,434</u>

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TABLA II-III

PROCAF : CAPITALIZATION OF THE NET EARNINGS

In US\$

	YEAR 0	YEAR 1	YEAR 2	YEAR 3
I. TUITION FEES				
a. Balance from previous year	-	-	68,040	146,564
b. Interest earned during the current year 1)	-	-	6,804	14,566
c. Sub - Total (a + b)	-	-	74,844	161,330
d. Tuition Fees	-	64,800	68,400	55,800
e. Interest earned 2)	-	3,240	3,420	2,790
f. Sub - Total (d + e)	-	68,040	71,820	58,590
g. Balance at the end of the year (c + f)	-	68,040	146,664	219,720
II. PROJECT COSTS PAYABLE TO IDEA				
a. Balance From previous year	-	-	37,466	64,643
b. Interest earned during the current year 1)	-	-	3,747	6,464
c. Sub - Total (a + b)	-	-	41,213	71,107
d. Project costs	-	35,682	22,314	18,699
e. Interest earned 2)	-	1,784	1,116	935
f. Sub - Total (d + e)	-	37,466	23,430	19,634
g. Balance at the end of the year (c + f)	-	37,466	64,643	90,741
III. IDEA PROFIT				
a. Balance From previous year	-	-77,780	22,316	45,875
b. Interest earned during the current year 1)	-	-	2,232	4,588
c. Sub - Total (a + b)	-	-77,780	24,548	50,463
d. Profit	-	21,253	20,311	22,375
e. Interest earned 2)	-	1,063	1,016	1,119
f. Sub - Total (d + e)	-	22,316	21,327	23,494
g. Balance at the end of the year (c + f)	-	22,316	45,875	73,957
IV. TOTAL (I + II + III)				
		127,822	257,182	384,618

1) Interest rate : 10 %
 2) 6 months at 10 % per annum

TABLE II-IV

FINANCING OF PROCAE BEYOND THE LIFE OF THE PROJECT

In US\$

.....

YEAR 4 YEAR 5 YEAR 6 YEAR 7

.....

Alternative A: Only tuition fees earned during the life of the Project are deposited in an escrow account

a. Balance from previous year	219,920	110,744
+ Tuition fees earned during the current year	55,800	55,800
	<u>275,720</u>	<u>166,544</u>
- (Less) Course Delivery Costs	-180,722	-180,722
	<u>94,998</u>	<u>14,178</u>
+ Interest earned during the current year 1)	15,746	6,246
	<u>110,744</u>	<u>7,932</u>

Alternative B: All net earnings gained during the life of the Project are deposited in an escrow account

a. Balance from previous year	384,618	291,912	189,935	77,760
+ Tuition fees earned during the current year	55,800	55,800	55,800	55,800
	<u>440,418</u>	<u>347,712</u>	<u>245,735</u>	<u>133,560</u>
- (Less) Course Delivery Costs	-180,722	-180,722	-180,722	-180,722
	<u>259,696</u>	<u>166,990</u>	<u>65,013</u>	<u>47,162</u>
+ Interest earned during the current year 1)	32,216	22,945	12,747	6,246
	<u>291,912</u>	<u>189,935</u>	<u>77,760</u>	<u>40,916</u>

.....

1) Includes interest earned by funds spent over the year until they are actually disbursed. It is assumed that total expenses are evenly distributed along the year. Hence, on average, one half of those funds remain deposited earning an interest.

A N N E X 5

BUSINESS SERVICE CENTERS

BUSINESS SERVICE CENTERS

IDEA is currently planning to set up three Business Service Centers (BSC), one in each of the three Regional Offices. The BSC basically are places where the entrepreneur can find all the services that he might need and, if he intends to initiate a new business, appropriate technical assistance for that purpose.

With the experience of the last three years, IDEA has been able to identify specific needs of entrepreneurs. In many occasions, businessmen see their productivity limited for lack of sufficient resources and/or technical assistance.

The purpose of these BSCs is to offer services to some 8,000 small and medium enterprises, ranging from artisanry to manufacturing, commerce and services. Businessmen will be able to free themselves of administrative and managerial difficulties by letting the BSCs undertake tasks such as reproduction of documents, editing, translation, maintenance of accounts, etc. A main characteristic of BSCs will be the provision of personalized service.

The BSC will also facilitate exchange of information not only within each city, but also among them. For that purpose, among other instruments, they will elaborate and distribute regular newsletters for the business community, informing on topics such as the latest available equipment, new legislation, new managerial techniques, new credit lines available, etc.

At the beginning, the BSCs will offer the following services:

1. Secretarial Support

Word processing, editing, drafting of documents, reproduction of financial statements, statistics, elaboration of mailing lists, mailing.

2. Computer Services

- Evaluation of computational needs
- Technical assistance on available software
- Information on equipment suppliers and maintenance services
- Training sessions on computer operation
- Seminars on computation matters for small entrepreneurs
- Development and sale of administrative and accounting software for small firms.

3. Telex and Fax

Reception and dispatching

4. Library

This service will include not only books but also videos, films, etc. on management and business administration.

In the medium term new services will be added. Among them are:

- Information on scholarships and training abroad
- Human Resources Data Bank
- Wage Survey (Private Sector)
- Business Expectations Survey
- Orientation and Technical Assistance for business development

A N N E X 6

ESTIMATE OF THE TRAINING REVENUES

8/2

ANNEX 6

ESTIMATE OF THE TRAINING TAX REVENUES (INFOCAL)
THAT WILL ACCRUE TO IDEA

1. Estimate of the Taxable Population

Notwithstanding that the Supreme Decree that created INFOCAL determined that the training tax shall be paid by all private firms employing salaried workers, it is assumed that in practice only medium and large enterprises will comply with this legal duty. Micro and small firms are, therefore, excluded of the estimate, as are those whose size is ignored. For estimation purposes, medium and large enterprises are defined as those employing at least 10 persons.

The source of information is the Household Survey (Encuesta Permanente de Hogares) conducted by the Instituto Nacional de Estadísticas (INE) in May-June 1988.

- Urban employed Population (UEP), total:	849,984
- UEP in private firms, total:	606,298
- UEP in private firms employing 10 or more persons	<u>56,045</u>

2. Average Wages in Private Firms employing 10 or more persons

The source in this case is Bulletin No. 2 of Wage Statistics (Private Sector) published by INE. According to this source, in June 1988 the weighted average wage (at current prices) for private enterprises employing 10 or more persons was Bs 422.80.

3. Taxable Payroll (of Private Firms employing 10 or more persons)

56,045 salaried workers x Bs 422,80 = Bs 23,694,676/month
(US\$9,477,870/month)

4. Training Tax Revenues

(1% on the taxable payroll of private firms employing 10 or more persons)

a) Theoretical:	Bs 236,947/month (US\$94,779/month)
b) Likely (assuming 30% tax evasion):	Bs 165,836/month (US\$66,345/month)

5. Amount that should accrue to the CEPB (30% of the training tax revenues, adjusted by tax evasion)

Bs 49,759/month
(US\$19,904/month)

6. Amount that the CEPB should channel to IDEA (One half of the amount received by the Confederation, e.g. 15% of the training tax revenues adjusted by tax evasion)

Bs 24,880/month
(US\$9,952/month)

/ US\$ 119,421/year /

A N N E X 7

DECREE SETTING UP INFOCAL



República de Bolivia
MINISTERIO DE TRABAJO

Departamento

Si vase citar No.

DECRETO SUPREMO N° 22105

(*en la GACETA OFICIAL DE BOLIVIA - N° 1578 de 6-1-87*)

CONSIDERANDO:

Que mediante Resolución Suprema N° 161410 de 18 de febrero de 1972, elevado a rango de Decreto Supremo N° 12086 de 27 de diciembre de 1974, se creó el Servicio Nacional de Formación de Mano de Obra "FOMO", como un ente descentralizado y con autonomía de gestión, bajo tuición de del Ministerio de Trabajo y Desarrollo Laboral.

Que mediante D.L. 14914 de 13 de septiembre de 1977 se estableció el aporte patronal del 1% sobre el total de las planillas de remuneraciones de los trabajadores de los sectores privado y público, para financiar la institución, aporte que ha sido abrogado por el artículo 94 de la Ley N° 843 de Reforma Tributaria.

Que en virtud a la citada Ley, que abroga las rentas destinadas, los sectores privado y público han dejado de cotizar el 1% sobre los salarios de los trabajadores con destino al Servicio Nacional de Formación de Mano de Obra.

Que los sectores público y privado coinciden en que para impulsar el desarrollo económico y social del país debe darse la mayor prioridad a la formación de los recursos humanos.

Que ante esta impostergable necesidad, la Confederación de Empresarios Privados de Bolivia, que en su reunión extraordinaria de 31 de agosto de 1988 resuelve mantener y complementar la continuación de la capacitación de los recursos humanos.

2..

Que en concordancia con este propósito el Gobierno de la Nación resuelve crear en sustitución del Servicio Nacional de Formación de Mano de Obra "FOMO" un nuevo organismo destinado a la formación, capacitación y actualización de la mano de obra calificada, mandos medios y gerenciales del sector público y privado.

EN CONSEJO DE MINISTROS

D E C R E T A:

ARTICULO 1°.- En sustitución del Servicio Nacional de Formación de Mano de Obra "FOMO" se crea el Instituto Nacional de Formación y Capacitación Laboral "INFOCAL", con autonomía de gestión y de administración bajo la tuición del Ministerio de Trabajo.

ARTICULO 2°.- El Instituto funcionará descentralizadamente con financiamiento proveniente de los recursos que se generen localmente y para cumplir con los objetivos de formación, capacitación y actualización de recursos humanos laborales.

ARTICULO 3°.- SE crea el patrimonio del Instituto de formación y Capacitación Laboral constituido por los siguientes renglones:

- a) Recursos provenientes de contratos por servicios que celebre INFOCAL con organizaciones nacionales, para el desarrollo de programas de capacitación;
- b) Ingresos que obtenga INFOCAL por concepto de matrículas en los campos de formación que organice;
- c) Donaciones o aporte voluntarios que reciba INFOCAL de personas, empresas y/o instituciones nacionales y extranjeras para la realización de sus fines.

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3.1

- d) Bienes que como persona jurídica adquiere INFOCAL bajo cualquier título; y
- e) Aporte empresarial privado proveniente del 18 calculado sobre las remuneraciones mensuales de la totalidad de sus trabajadores que figuran en planillas, sin ninguna excepción.

ARTICULO 4°.- Para mantener el esquema del tripartismo, el Estado contribuye al financiamiento del INFOCAL con todos los activos fijos que pertenecieron a FOMO, los mismos que preví inventariación en todo el país serán entregados en calidad de usufructo al Instituto Nacional de Formación y Capacitación Laboral, en el término improrrogable de 60 días a contar de la fecha de promulgación del presente Decreto Supremo, durante el tiempo que el mismo cumpla sus actividades.

ARTICULO 5°.- El Instituto estará regido por un consejo nacional como organismo de mayor jerarquía para adoptar decisiones sobre políticas planificación métodos y sistemas normas generales y suscripción de convenios y/o acuerdos con organismos nacionales e internacionales, relativos a la formación técnica y capacitación de los recursos humanos del país.

ARTICULO 6°.- El Consejo Nacional será presidido por el Ministro de Trabajo y en su ausencia, por quien designe el mismo, de los miembros que componen el directorio, la presidencia alterna no podrá en ningún caso ser reiterativa en sus funciones.

La conformación del consejo nacional tendrá la estructura tripartita o igualitaria con los siguientes miembros:



4..

Dos representantes del Estado designados por el Ministro de Trabajo.

Dos representantes del sector empresarial designados por la Confederación de Empresarios Privados de Bolivia.

Dos representantes del sector Laboral designados por la Central Obrera Boliviana.

El Director Ejecutivo Nacional actuará como secretario con derecho a voz.

ARTICULO 7°.- El Directorio Regional tendrá un Presidente quien será designado por el Ministro de Trabajo y estará compuesto por:

Dos representantes del sector Estatal designados por el Ministro de Trabajo.,

Dos representantes del sector Empresarial designados por las Federaciones Departamentales de Empresarios Privados; y

Dos representantes del Sector Laboral designados por las Centricas Obreras Departamentales.

Actuará como Secretario del Directorio, el Director Regional con derecho a voz.

ARTICULO 8°.- El Director Ejecutivo Nacional será designado por el Ministro de Trabajo en una terna propuesta por la Confederación de Empresarios Privados de Bolivia.

Los directores Ejecutivos Regionales serán igualmente designados por el Ministro de Trabajo de una terna propuesta por la Confederación de Empresarios Privados de Bolivia a sugerencia de las Federaciones Departamentales de Empresarios Privados.



5..

ARTICULO 9°.- Las Unidades REGIONALES contribuirán con un porcentaje del 10% de sus ingresos mensuales provenientes del aporte empresarial al financiamiento de la Dirección Ejecutiva Nacional..

ARTICULO 10°.- El aporte empresarial del 1% queda discriminado de la siguiente forma:

- 0,70% con destino a la capacitación de mano de obra mediante los mecanismos de INFOCAL.
- 0,30% con destino a la capacitación de los empleados, técnicos, administrativos y profesionales tanto del sector público como privado, mediante los mecanismos de la Confederación de Empresarios Privados de Bolivia.

ARTICULO 11°.- SE aprueba el Estatuto Orgánico del INFOCAL. en sus capítulos y artículos que forman parte como anexo del presente Decreto Supremo.

ARTICULO 12°.- Se deroga el Decreto Supremo N° 12086 de 27 de diciembre de 1974 que creó el Servicio Nacional de Formación de Mano de Obra "FOMO" y demás disposiciones contrarias al presente Decreto Supremo.

Es dado en el Palacio de Gobierno de la ciudad de La Paz a los VENTINUEVE días del mes de DICIEMBRE de 1988



A N N E X 8

LOGICAL FRAMEWORK

1
2
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ANNEX 8
PROJECT DESIGN SUMMARY
LOGICAL FRAMEWORK

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

Life of Project:
From FY 85 to FY 95
Total U.S. Funding 6.0 million
Date Prepared: July 19, 1989

Project Title & Number: _____

PAGE 1

NARRATIVE SUMMARY	OBJECTIVELY VERIFIABLE INDICATORS	MEANS OF VERIFICATION	IMPORTANT ASSUMPTIONS
<p>Program or Sector Goal: The broader objective to which this project contributes:</p> <p>To support the development of an independent management training and related services institute to provide intensive, short term management training and to supply modern managerial tools.</p>	<p>Measures of Goal Achievement:</p> <ol style="list-style-type: none"> 1. Expansion of Bolivian private sector as measured by contribution to Gross Domestic Product. 2. Higher rates of large, medium, and small businesses starting up and remaining solvent. 3. Increasing net income of businesses of all sizes brought about by improved managerial efficiency. 4. Improved employment opportunities for small entrepreneurs mid-level managers and executives. 	<p>Data available from Ministry of Commerce on Bolivian annual GDP.</p> <p>Ministry of Commerce information on start-up and bankrupt business.</p> <p>Surveys, and evaluation information provided by project participants.</p>	<p>Assumptions for achieving goal targets:</p> <p>Private sector continues to receive policy support of Bolivian Government.</p> <p>Existing and new businesses can survive the current economic crisis, remain productive and effectively utilize the skills training provided under the project.</p>

PROJECT DESIGN SUMMARY
LOGICAL FRAMEWORK

Life of Project:
From FY 85 to FY 95
Total U.S. Funding 6.0 million
Date Prepared: July 19, 1989

NARRATIVE SUMMARY	OBJECTIVELY VERIFIABLE INDICATORS	MEANS OF VERIFICATION	IMPORTANT ASSUMPTIONS
<p>Project Purpose:</p> <p>To support the development of an independent management training institute to provide intensive, short term management training to Bolivian businessmen and women.</p>	<p>Conditions that will indicate purpose has been achieved: End of project status.</p> <p>A financially self-sufficient management training institute established, offering a full array of business management courses designed to meet the needs of the Bolivian private sector.</p>	<p>End of project evaluation.</p> <p>Project management information system, including students surveys.</p> <p>USAID/Bolivia project manager monitoring.</p> <p>Internal and external audits.</p>	<p>Assumptions for achieving purpose:</p> <p>Contracted instructors and other program technical assistance will be sufficient and available.</p> <p>Program participants and/or firms are willing to pay for training.</p> <p>Sufficient demand exists for the three levels of courses.</p> <p>GOB will not interfere with private sector training and education programs.</p> <p>Exaggerated regionalism will not destroy the Institute.</p> <p>The socio-economic mix of large, medium and small scale entrepreneurs will work.</p>

PROJECT DESIGN SUMMARY
LOGICAL FRAMEWORK

Life of Project:
From FY 85 to FY 89
Total U.S. Funding 6.0 million
Date Prepared: July 19, 1989

Project Title & Number: _____

PAGE

NARRATIVE SUMMARY	OBJECTIVELY VERIFIABLE INDICATORS	MEANS OF VERIFICATION	IMPORTANT ASSUMPTIONS
<p>Outputs:</p> <ol style="list-style-type: none"> 1. "Enterprise Fora" held. 2. Curricula developed for courses for executives, mid-level managers, small-scale entrepreneurs, and clerical staff. 3. Executive level seminars given; Executives trained. 4. Mid-level manager seminars given; Mid-level managers trained. 5. Small Entrepreneur classes given; small-scale entrepreneurs trained. 6. Clerical training given; Support staff trained. 7. IDEA staff trained. 8. Financially independent management training institute exists. 9. Business centers established in the three regional offices. 	<p>Magnitude of Outputs:</p> <ol style="list-style-type: none"> 1. 263 Enterprise fora held for NFT 13,150 attendees. 2. Course materials purchased, adapted/developed by IDEA. Materials tested, in use, and for sale (where developed by IDEA). 3. Executive Level: A minimum of 269 seminars held and NFT 5,380 persons trained. 4. Mid-Level: A minimum of 603 training courses given with NFT 15,075 persons trained. 5. Small Entrepreneur Level: 1,213 courses given with NFT 24,260 persons trained. 6. Clerical Level: A minimum of 332 courses given with NFT 8,300 clerical staff trained. 7. Five IDEA professional staff members trained abroad. All IDEA instructors trained. 8. Banking Supervisory Level: 44 courses given with NFT 880 persons trained. 9. Services being provided to clients through business centers. 10. One self-financing institute effectively meeting private sector business training needs. (NFT = not fewer than) 	<p>Project manager surveys and reports.</p> <p>IDEA books, records, and reports to the Board and to AID.</p> <p>Yearly in-house evaluations; mid-term and EOP evaluations.</p> <p>Consultants' reports.</p> <p>Audits.</p>	<p>Assumptions for achieving outputs:</p> <p>Qualified professors can be found and recruited.</p> <p>Appropriate premises for conducting activities can be found and rented or received as a donation.</p> <p>Appropriate course materials are available for purchase and adaptation, original course materials can be developed during the Project's life.</p> <p>Funds are available from USAID and the GOB.</p> <p>Sufficient revenues are generated by IDEA.</p>

PROJECT DESIGN SUMMARY
LOGICAL FRAMEWORK

Life of Project:
From FY 85 to FY 95
Total U.S. Funding 6.0 million
Date Prepared: July 19 1989

Project Title & Number: _____

NARRATIVE SUMMARY	OBJECTIVELY VERIFIABLE INDICATORS	MEANS OF VERIFICATION	IMPORTANT ASSUMPTIONS
<p>Inputs: A.I.P.:</p> <ol style="list-style-type: none"> 1. Technical Assistance 2. Operating Expenses 3. Commodities 4. Training 5. Course Costs 6. Contingencies 	<p>Implementation Target (Type and Quantity)</p> <ol style="list-style-type: none"> 1. Resources for financing 97% of technical assistance costs: \$2,273,000. 2. Resources for financing approximately 61% of operating costs: \$2,156,000. 3. Resources for financing 100% of commodities acquisition costs: \$61,000. 4. Resources for financing 42% of training costs: \$245,000. 5. Resources to cover approximately 52% of course costs: \$429,000. 6. Funds to cover approximately 72% of contingencies \$336,000. <p><u>Total AID contribution:</u> \$6,000,000.</p>	<p>AID, IDEA, and GOB accounting books and records.</p>	<p>Assumptions for providing inputs:</p> <ol style="list-style-type: none"> 1. AID and host country funding will be available. 2. Participants will be willing to pay programmed dues and fees.
<p><u>HOST COUNTRY (IDEA and GOB)</u></p> <ol style="list-style-type: none"> 1. Technical Assistance 2. Operating Expenses 3. Training 4. Course Costs 5. Contingencies 	<ol style="list-style-type: none"> 1. Resources to finance 3% of TA costs: \$30,000. 2. Resources for financing approximately 39% of operating expenses \$553,000. 3. Resources for financing 58% of training costs \$230,000. 4. Resources to cover approximately 48% of course costs \$509,000. 5. Funds to create an escrow account \$500,000 from ESF and \$720,000 from private sector contributions. 6. Funds to cover approximately 28% of contingencies \$330,000 <p><u>Total Host Country Contribution</u> \$2,542,000.</p>		

A N N E X 9

HISTORY OF PAST AUDIT EXPERIENCE

DICTAMEN DE LOS AUDITORES

A los Señores
Presidente y Directores del
Instituto para el Desarrollo de
Empresarios y Administradores
I.D.E.A.
La Paz, Bolivia

Hemos examinado el balance general del Instituto para el Desarrollo de Empresarios y Administradores - I.D.E.A. al 31 de diciembre de 1988, y los correspondientes estados de resultados, evolución del patrimonio neto y cambios en la posición financiera por el año terminado en esa fecha. Nuestro examen fue realizado de acuerdo con normas de auditoría generalmente aceptadas y, en consecuencia, incluyó pruebas selectivas de los registros contables y otros procedimientos de auditoría que hemos considerado necesarios de acuerdo a las circunstancias, excepto por lo mencionado en el párrafo siguiente.

Los estados financieros del Instituto para el Desarrollo de Empresarios y Administradores - I.D.E.A. al 31 de diciembre de 1987, fueron examinados por otros auditores externos, quienes emitieron su informe en fecha 9 de mayo de 1988.

En nuestra opinión, basados en nuestro examen y en el dictamen de otros auditores en lo que se refiere a los saldos iniciales del ejercicio, los estados financieros mencionados, presentan razonablemente la situación financiera del Instituto para el Desarrollo de Empresarios y Administradores - I.D.E.A. al 31 de diciembre de 1988 y los resultados de sus operaciones y cambios en el patrimonio neto y en la situación financiera por el año terminado en esa fecha, de conformidad con principios de contabilidad generalmente aceptados, aplicados sobre bases uniformes con respecto a los del año anterior.

COOPERS & LYBRAND

(Socio)
Lic. Bernardo Elsner
Registro C.P.C.E.B. Nro. 87

LA PAZ, Bolivia
6 de abril de 1989



as



RUIZ BALLIVIAN Y ASOCIADOS

Audidores miembros de Horwath & Horwath International

La Paz, Abril 18, 1988

A los señores
Presidente y Directores
Instituto para el Desarrollo de
Empresarios y Administradores
(IDEA)
Presente

De nuestra consideración:

Hemos examinado los estados financieros del Instituto para el Desarrollo de Empresarios y Administradores (IDEA) por el ejercicio terminado el 31 de diciembre de 1987. Como parte de nuestro examen, hemos revisado y probado los sistemas de control interno en la medida que consideramos necesaria para evaluar el sistema tal como lo requieren las normas de auditoría generalmente aceptadas. De acuerdo con estas normas, el propósito de dicha evaluación es establecer las bases de confiabilidad para determinar la naturaleza, oportunidad y alcance de otros procedimientos de auditoría necesarios para expresar una opinión sobre los estados financieros.

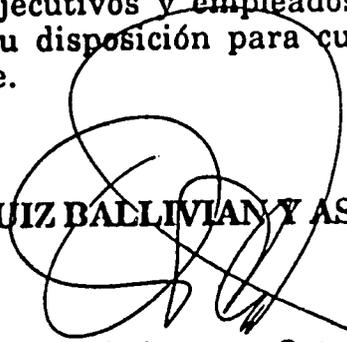
Nuestro estudio y evaluación de los sistemas de control interno llevado a cabo selectivamente para los fines descritos en el párrafo anterior, revelaron ciertas debilidades con respecto a las cuales recomendamos que se adopten las medidas correctivas que se describen en las páginas siguientes. Estas sugerencias y comentarios han sido puestos a consideración de los ejecutivos de IDEA y USAID así como, las partes que les competían, a los Gerentes de las Oficinas Regionales.

Al efectuar la auditoría del ejercicio terminado el 31 de diciembre de 1987, tuvimos presentes las condiciones antes mencionadas y ampliamos suficientemente nuestros procedimientos para satisfacernos de que los estados financieros están presentados razonablemente y de conformidad con los principios de contabilidad generalmente aceptados.

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Agradecemos al personal de ejecutivos y empleados por la colaboración prestada y quedamos a su disposición para cualquier aclaración relacionada con este informe.

Atentamente,


RUIZ BALLIVIAN Y ASOCIADOS

Lic. Augusto Ortega R.

MIEMBROS DE
HORWATH & HORWATH INTERNATIONAL
CON OFICINAS AFILIADAS EN LAS PRINCIPALES
CIUDADES DEL MUNDO

CALLE CAPITAN BAVELLO 2131
TELFOS. 372106 - 372107 - 37.760
CASILLAS 5860 - 1390
TELEX 0309-3311 BV
LA PAZ - BOLIVIA

DICTAMEN DE AUDITORES INDEPENDIENTES

A los señores
Presidente y Directores
Instituto para el Desarrollo de Empresarios y
Administradores (IDEA)

Hemos examinado el balance general del Instituto para el Desarrollo de Empresarios y Administradores (IDEA) al 30 de junio de 1987 y el correspondiente estado de patrimonio neto por el semestre terminado en esa fecha. Nuestro examen se efectuó de acuerdo con las normas de auditoría generalmente aceptadas y, en consecuencia, incluyó las pruebas de los registros de contabilidad y los demás procedimientos de auditoría que consideramos necesarios en las circunstancias, excepto por lo que se menciona en el párrafo siguiente.

Tal como se describe en la Nota B a los estados financieros, el Instituto no tiene ninguna ingerencia respecto al control y utilización de los fondos asignados en el convenio de cooperación con AID para el rubro de Asistencia Técnica, cuyo importe desembolsado al 30 de junio de 1987 alcanza a US\$ 144,249. Debido a que la documentación de respaldo correspondiente no es archivada por el Instituto, no hemos podido satisfacernos sobre la razonabilidad de este rubro.

En nuestra opinión, excepto por la limitación que se comenta en el párrafo anterior, los estados financieros mencionados en el primer párrafo presentan razonablemente la situación financiera y patrimonial del Instituto para el Desarrollo de Empresarios y Administradores (IDEA) al 30 de junio de 1987, de acuerdo con principios de contabilidad generalmente aceptados y disposiciones legales en vigencia.

PADRON RUC No. 03038992

Leiz Ballinian y Corriales

La Paz,
Octubre 19, 1987

oneroso o gratuito. En caso de disolución, una vez liquidado su pasivo, el remanente será donado a una institución sin fines de lucro.

En igual forma y según el convenio de cooperación que se menciona en la Nota 1 el título de propiedad de los bienes adquiridos bajo el Convenio de Donación con AID recae en IDEA, como beneficiario del mismo. A su vez, IDEA está de acuerdo en transferir todas estas propiedades a cualquier organización sucesora que se cree a fin de continuar con el Programa.

8. ASISTENCIA TECNICA

De acuerdo con el Convenio de Cooperación de AID con IDEA, toda la asistencia técnica al Proyecto es suministrada bajo contrato directo de AID. En este sentido, el contrato de asistencia técnica con la firma consultora Westinghouse Electric Corporation de los Estados Unidos fué firmado directamente por AID, en igual forma, los desembolsos a los contratistas son efectuados directamente por AID/Washington de acuerdo con las estipulaciones del contrato. Tanto el contrato como la documentación de respaldo correspondientes a los desembolsos en este rubro de Asistencia Técnica no son de conocimiento de IDEA, utilizandose para fines contables la información que les transmiten las oficinas de AID. El importe presupuestado para este rubro según la Carta de Implementación No. 2 alcanza a US\$ 1.000.000 de los cuales se han desembolsado al 30 de junio de 1987 US\$ 144.240.



DICTAMEN DEL AUDITOR

27 de mayo de 1987

A los señores
Presidente y Directores de
Instituto para el Desarrollo de Empresarios y
Administradores (IDEA)
La Paz

- 1 Hemos examinado el balance general de Instituto para el Desarrollo de Empresarios y Administradores (IDEA) al 31 de diciembre de 1986 y los correspondientes estados de ingresos y gastos, de resultados acumulados y de origen y aplicación de fondos por el período comprendido entre el 30 de agosto de 1985 y el 31 de diciembre de 1986. Nuestro examen fue practicado de acuerdo con normas de auditoría generalmente aceptadas, excepto por las limitaciones al alcance de nuestro trabajo explicadas en el párrafo 2.
- 2 Los controles internos del Instituto aplicados en el sistema de matrículas de cursos y el movimiento de fondos y cuentas por cobrar inherente al mismo, en el sistema de procesamiento electrónico de datos, así como en compras y cuentas por pagar no ofrecen la confiabilidad necesaria para determinar la integridad de la información registrada al cierre del período.
- 3 En nuestra opinión, sujeto al efecto de los ajustes, si los hubiere, que serían necesarios una vez superado el aspecto mencionado en el párrafo 2, los estados financieros mencionados en el párrafo 1 demuestran razonablemente la situación patrimonial y financiera de Instituto para el Desarrollo de Empresarios y Administradores (IDEA) al 31 de diciembre de 1986, los resultados de sus operaciones y el origen y aplicación de

ondos por el período comprendido entre el 30 de agosto
e 1985 y el 31 de diciembre de 1986 de acuerdo con
rincipios de contabilidad generalmente aceptados.

Porcero, Muñoz, Cis



A N N E X 10

REQUEST FROM IDEA

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INSTITUTO PARA EL DESARROLLO DE EMPRESARIOS Y ADMINISTRADORES



since it is not their formal request for a P.P. Amendment

~~① JG~~
~~② JG~~
③ LV

La Paz, 15 de diciembre de 1989
No. IDEA-GG-412/89

Señor
G. Reginald van Raalte
Director
USAID/Bolivia
Presente

Señor Director:

SECRETARIA DE ECONOMIA

PDV ACTION UNIT	DD ECON EXO D P CONT HH S ARD PS	[Grid of boxes with handwritten marks]	Reply due..... Action Unit.....
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Como es de su conocimiento, IDEA inició sus actividades en forma real hace tres años y medio. Durante este período, el Instituto ha llevado a cabo 796 seminarios, cursos y conferencias, capacitando a empresarios de diferentes niveles en un número total de 19,988 participantes que han respaldado las actividades de nuestro Instituto en forma inobjetable.

Es importante remarcar que la actividad de IDEA ha ido en constante ascenso desde su inauguración, y a la fecha cuenta con tres oficinas regionales (La Paz, Cochabamba y Santa Cruz), así como con representantes en cuatro ciudades secundarias que dictan cursos específicos en campos de interés particular de cada región.

Consideramos que IDEA está cumpliendo con los objetivos trazados por USAID y la Confederación de Empresarios Privados de Bolivia y que la continuación de la valiosa asistencia que presta el Gobierno de los Estados Unidos es absolutamente necesaria para garantizar la institucionalización y permanencia indefinida de IDEA a nivel nacional. Es por esta razón que solicitamos la ampliación del Convenio de Cooperación entre USAID/Bolivia e IDEA, mediante la dotación de fondos adicionales que nos permitan dar respuesta a la demanda del mercado y, asimismo, obtener asistencia técnica extranjera para consolidar el éxito obtenido hasta la fecha, garantizando la máxima calidad de nuestros programas.

Durante los últimos meses, IDEA se ha abocado a planificar y programar sus metas futuras así como a preparar un plan estratégico que le permita autofinanciarse en el término de seis años. Como es de su conocimiento, esta programación incluye el establecimiento de un fondo fiduciario que está previsto contará con la cooperación del Gobierno de Bolivia, así como con un plan financiero que permitirá realizar nuestras labores en forma incrementada, con un estricto control presupuestario que exigirá mucho esfuerzo de parte del personal de IDEA y una supervisión estrecha de parte del Directorio que presido. Para su consideración, adjunto a la

presente, le envío un resumen de las principales actividades que se han programado para el período comprendido entre 1990 y 1995 así como la propuesta original presentada por IDEA a USAID/Bolivia, la misma que sirvió como base para desarrollar la enmienda al proyecto en forma conjunta.

Por lo anteriormente expuesto, deseamos reiterar nuestra solicitud de cooperación adicional de USAID/Bolivia en la suma de \$2,000,000 para gastos operativos de IDEA, y \$1,000,000 para asistencia técnica extranjera que nos permita culminar con éxito los planes que nos hemos trazado.

Deseamos aprovechar esta oportunidad para expresar a Ud., señor Director, el agradecimiento de nuestra institución por el permanente respaldo económico, técnico y moral que hemos recibido de USAID/Bolivia, gracias al cual IDEA es ahora una realidad en beneficio del mejoramiento de los niveles de producción y productividad nacionales.

En espera de su favorable respuesta, saludamos a Ud. con nuestra mayor consideración.



Ing. Jorge E. Lonsdale
Presidente Directorio IDEA

Adjuntos: Lo indicado.