PD-ABL-693

UNCLASSIFIED

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

BOLIVIA

PROJECT PAPER

MICRO AND SMALL ENTERPRISE DEVELOPMENT

AMENDMENT NUMBER 3A

AID/LAC/P-902
CR-452, 666, 774, 824

PROJECT NUMBER: 511-0596

UNCLASSIFIED

AGENCY FOR INTERNATIONAL DEVELOPMENT

PROJECT DATA SHEET

1. TRANSACTION CODE: A (A = Add, C = Change, D = Delete) — Amendment Number: 3A

DOCUMENT CODE: 3

2. COUNTRY/ENTITY: BOLIVIA

3. PROJECT NUMBER: 511-0596

4. BUREAU/OFFICE: LAC — 05

5. PROJECT TITLE (maximum 40 characters): Micro & Small Enterprise Development

6. PROJECT ASSISTANCE COMPLETION DATE (PACD): MM 09 DD 30 YY 97

7. ESTIMATED DATE OF OBLIGATION (Under 'B.' below, enter 1, 2, 3, or 4)
A. Initial FY 88 B. Quarter ☐ C. Final FY 97

8. COSTS ($000 OR EQUIVALENT $1 =)

A. FUNDING SOURCE	FIRST FY B. FX	C. L/C	D. Total	LIFE OF PROJECT E. FX	F. L/C	G. Total
AID Appropriated Total						
(Grant)	(2,040)	( )	(2,040)	(14,350)	( )	(14,350)
(Loan)	( )	( )	( )	( )	( )	( )
Other U.S. 1.						
Other U.S. 2.						
Host Country GOB						
Other Donor(s) P/S FUNDAPRO					3,350	3,350
TOTALS	2,040		2,040	14,350	2,725	2,725
					6,075	20,425

9. SCHEDULE OF AID FUNDING ($000)

A. APPROPRIATION	B. PRIMARY PURPOSE CODE	C. PRIMARY TECH. CODE 1. Grant	2. Loan	D. OBLIGATIONS TO DATE 1. Grant	2. Loan	E. AMOUNT APPROVED THIS ACTION 1. Grant	2. Loan	F. LIFE OF PROJECT 1. Grant	2. Loan
(1) DA	840								
(2) ESF	840					500		11,800	
(3)								2,550	
(4)									
TOTALS						500		14,350	

10. SECONDARY TECHNICAL CODES (maximum 6 codes of 3 positions each): 690 810 930

11. SECONDARY PURPOSE CODE

12. SPECIAL CONCERNS CODES (maximum 7 codes of 4 positions each)
A. Code: BUW
B. Amount

13. PROJECT PURPOSE (maximum 480 characters)

To stimulate the long term, stable growth and development of Bolivia's small scale enterprise sector.

14. SCHEDULED EVALUATIONS
Interim MM 07 YY 95 MM 09 YY 97 Final MM YY

15. SOURCE/ORIGIN OF GOODS AND SERVICES
☐ 000 ☐ 941 ☐ Local ☐ Other (Specify)

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

- The anti-poverty lending component, which provides microenterprise loans under $300 through Bolivian NGO's, was awarded an additional $500,000 Grant from the centrally funded Anti-poverty Lending Matching Fund (APPLE).
- The Controller has reviewed the methods of implementation and finance proposed herein, as well as the provisions for audit coverage, and hereby indicates his concurrence.

17. APPROVED BY
Signature: Lewis W. Lucke
Lewis W. Lucke
Acting Director

Date Signed: MM 09 DD 30 YY 91

18. DATE DOCUMENT RECEIVED IN AID/W, OR FOR AID/W DOCUMENTS, DATE OF DISTRIBUTION
MM DD YY

AID 1330-1 (8-79)

Attachment 1

PROJECT AUTHORIZATION

*Amendment No.*3A

Name of Country: Bolivia

Name of Project: Micro and Small Enterprise Development

Number of Project: 511-0596

Pursuant to Section 103 and 106, the Micro and Small Enterprise Development project for Bolivia was authorized on August 19, 1988. That authorization was amended on August 9, 1991, March 30, 1993, and on August 9, 1993. The authorization is hereby amended further by restating paragraph 1, as follows:

> "1. Pursuant to Sections 103, 106 and 531 of the Foreign Assistance Act of 1961, as amended, I hereby authorize the Micro and Small Enterprise Development project for Bolivia (the "Project"), involving planned obligations of not to exceed $14,350,000 in grant funds over a nine-year period from date of original authorization on August 19, 1988, subject to the availability of funds in accordance with the A.I.D./OYB allotment process, to help in financing foreign exchange and local currency costs for the Project. The planned life of project is approximately nine years from date of initial obligation on August 31, 1988, to September 30, 1997."

Except as amended hereby, the authorization remains in full force and effect.

Lewis Lucke
Acting Director

Date: 8/30/94

ADJUNTO 2
ATTACHMENT 2

RESUMEN DEL PLAN FINANCIERO PARA LA VIDA DEL PROYECTO
LIFE OF PROJECT SUMMARY OF FINANCIAL PLAN

(US$000)

Agencias Implementadoras Implementing Agencies	Total de la Donación de USAID Total USAID Grant	Cambios en esta Enmienda Changes in this Amendment	Nuevo Total de la Donación de USAID New Total USAID Grant	Contribución del Gobierno Boliviano GOB Contribution	Cambios en la Contribución del Gobierno de Bolivia Changes in GOB Contribution	Nuevo Total de la Contribución del Gobierno de Bolivia New Total of GOB Contribution	Total de la Contribución del Sector Privado Total Private Sector Contribution	Total para la Vida del Proyecto Total Life of Project
1. PRODEM	2,775	0	2,775	1,650	0	1,650	1,525	5,950
2. FENACRE	399	0	399	40	0	40	50	489
3. FEBOPI	617	0	617	0	0	0	0	617
4. Otros/Others	687	0	687	0	0	0	0	687
5. WOCCU	8,222	0	8,222	1,160	0	1,160	0	9,382
6. APPLE	1,150	500	1,650	0	* 500	500	1,150	3,300
TOTAL	13,850	500	14,350	2,850	500	3,350	2,725	20,425

* Fondos de la PL 480.
PL 480 funding.

ATTACHMENT 3

July 27, 1994

MEMORANDUM

TO: DAA/G/EG: Janet Ballantyne,
AAA/G/EG: Richard Rosenberg;
G/EG/DP: Hank Merrill, Robert Hudec, Linda Handon-Davidson

FROM: G/EG/MD, Elisabeth Rhyne

SUBJECT: Transfer of Anti-Poverty Lending for Enterprises (APPLE) Project (940-0403) Matching Grant Funds to Recipient Mission Projects

The authorization for the G/EG/MD Anti-Poverty Lending for Enterprises (APPLE) project (940-0403) provides that "funds from this account will be re-allocated to the OYBs of Missions that are successful in the competitive process...". The selection committee has completed reviews of the FY 94 Mission proposals with the following outcome: proposals received total $9,294,306 (with up to an additional $900,000 expected); proposals definitely approved total $6,065,793; proposals provisionally approved total $2,778,513; and proposals rejected total $1,350,000.

A number of USPVOs are represented in the competition. Proposals from Bolivia (PROMUJER), the Philippines (TSPI [Opportunity, Intl]), Peru (CARE, FINCA, and CRS), Mali (Save the Children), Guinea (GREDP), Nicaragua (ACCION, CRS, FINCA and Opportunity, Intl) will be fully funded (see attached table for amounts and project number), and the process of transferring the funds is now beginning.

Proposals from South Africa (SEF), Mali (Freedom from Hunger) and Ghana (Freedom from Hunger) are provisionally approved pending clarification of some questions.

We are asking Nicaragua and Peru if they would be interested in a small additional match to fund learning exchanges for and training of the various NGOs involved, as well as for selected other concerned parties. Nicaragua has submitted a secondary proposal for $212,888; we are unsure what Peru might propose, but it would probably be in the same range as the Nicaraguan

Mission's proposal and, for the moment, we are leaving $200,000 in the budget to accommodate it.

In addition, Ecuador, Guatemala and Honduras in the LAC Bureau have all formally requested use of deob/reob for microenterprise development as promised by the Administrator's cable. It is still uncertain whether this can go forward in the near future, but Honduras, at least, plans to present an APPLE proposal for $700,000. While Ecuador has expressed interest in up to $2 million from either APPLE or next year's innovation program, what they would use as a match in the immediate future remains unclear. Guatemala has expressed interest for next year, but has not named a figure. For now, we have included only the $700,000 for Honduras in our summary table.

Proposals from the Philippines (Gerry Roxas Foundation) and Mali (World Education) are denied. In the latter case, a strong recommendation will be made to World Education to broaden the proposal to several countries and present it to PVC for an Institutional Strengthening Matching Grant as it appears to be more appropriate for that program.

This configuration of results totals **$8,844,306 either absolutely or provisionally accepted** and leaves **approximately $1,155,694 unutilized**.

Attached is a preliminary table which will allow the program office to begin transferring those funds which have been definitively awarded. Nicaragua, in particular, is facing an obligating deadline, which makes it important that the transfer of funds begin immediately. A somewhat more detailed table will follow later.

Attachment:

Preliminary Table of Grant Distribution

Drafted:

G/EG/MD:EHunt:ejh:OYBTRNSF.APL:7/22/94

PRELIMINARY TABLE OF APPLE GRANT DISTRIBUTION

Country	Project #	Project Title	Amount from Apple ($US)
		DEFINITIVELY APPROVED	
Bolivia	511-0596	Micro & Small Enterprise (PROMUJER)	500,000
Philippines	492-0470	PVO Co-Fi IV (TSPI)	550,000
Peru	527-0349	Microenterprise Support Project (MSP) (CARE, FINCA, CRS)	833,647
Mali	688-0260	Food & Agricultural Policy Support (FAPS) (Save the Children & Mission)	250,000
Nicaragua	524-0313	PVO Co-Financing (Opportunity, CRS, ACCION, FINCA)	2,632,146
Guinea	675-0215	Guinea Rural Enterprise (VITA)	500,000
Kenya	615-0238	PEDS I (PRIDE)	800,000
SUBTOTAL TO BE TRANSFERRED IMMEDIATELY			**6,065,793**

PROVISIONALLY APPROVED/TO BE CONSIDERED

Mali	688-0260	Food & Agricultural Policy Support (FAPS) (Freedom from Hunger)	350,000
Ghana	641-0260	Trade & Investment (Freedom from Hunger)	637,000
South Africa	674-0303	Black Private Enterprise Development	678,625
Honduras	522-0241	Small Business Development II	700,000
Nicaragua	524-0313	PVO Co-Financing	212,888
Peru	527-0349	Microenterprise Support Project (MSP)	200,000
		Provisional Subtotal	2,778,513

APPLE ALLOCATION	10,000,000
PROBABLE TOTAL TO BE UTILIZED	**8,844,306**
PROBABLE TOTAL TO BE RELEASED OR CARRIED OVER	**1,155,694**

ATTACHMENT 4

REQUEST FOR APPLE FUNDS FOR LOANS TO 6,000 VERY POOR WOMEN IN BOLIVIA

PRO MUJER (Programas para la Mujer)
La Paz, Bolivia
May, 1994

Table of Contents

I. PROJECT DESCRIPTION

A. Project Purpose 1
B. Project Description 2
C. Fit with Mission Objectives 4
D. Current and Proposed Operations 5

II. PROJECT BENEFICIARIES

A. Poverty in Bolivia 8
B. Pro Mujer's Beneficiaries 9

III. INSTITUTIONAL CAPACITY

A. Pro Mujer 11
B. National Coverage 12
C. External Collaborators 14

IV. COST-EFFECTIVENESS AND SUSTAINABILITY

A. Current Income and Costs 16
B. Detail on Interest Rate and Fees 18
C. General Program Information 19
D. Pro Forma Costs and Balance Sheets 19

V. SOURCE OF MISSION FUNDS 23

VI. PROJECT BUDGET 23

VII. PROJECT MANAGEMENT AND MONITORING

A. Project Monitoring 30
B. Loan Procedures 31
C. Reporting 31
D. Monitoring Apple Funds 32
E. Board of Directors 32

I. PROJECT DESCRIPTION

A. Project Purpose

Pro Mujer is requesting 500,000 dollars from the Apple Micro-lending Project to give small loans to 6,000 very poor women in the slums of Cochabamba and El Alto, Bolivia. The credit will help them initiate or improve their small businesses so that they can increase their income and provide themselves and their children with the basic necessities of life.

The women are the poorest of poor. They migrated from the country to the cities in hopes of finding greater economic opportunity. Their primary need is to earn enough money to be able to buy food, shelter, and clothing for themeselves and their children, and to pay for education and health services.

Many start small businesses since that is the major option open to them for earning income. Unfortunately, they lack the training they need to be good businesswomen. Many find they are earning very little or in some cases actually losing money. There are no business schools for these women. In Bolivia, there are not even enough public schools for children.

Most of these women would not dream of going to a bank or a micro-lending agency and applying for a small loan. They lack the formal guarantees required by commercial banks. They lack the year's business history required by micro-lending institutions. They lack knowledge about financial markets, self-confidence, and business success. They are uncomfortable in the presence of loan officers and written applications. They have little experience with formal institutions. Most do not have identity cards. Beyond that, they cannot read or write.

Pro Mujer's training and credit program helps these poor women establish small businesses and manage their own communal banks. Pro Mujer's complementary training programs in early childhood development, health, and family planning help them balance the demands of work and family.

The experience and knowledge they gain from Pro Mujer's training programs and from managing their own communal banks enables the women to become more active, efficient, and resourceful in all areas of their lives. They become more efficient businesswomen and better mothers. They value and use the educational and health services which exist and organize and demand services which don't exist. And as they outgrow communal banks, they apply and qualify for loans from micro-lending institutions such as PRODEM or Banco Sol.

B. Project Description

The purpose of this project is to increase 6,000 very poor women's income. This will be done by training them in business skills, providing them with credit, helping them establish small businesses, and graduating them to institutions specializing in micro-lending.

Pro Mujer's carefully designed training programs help women become better managers of their time and their resources. Pro Mujer has selected communal banks as a meams for providing credit because it is an ideal vehicle for furthering the education of women, especially in countries like Bolivia, where few formal adult education programs exist. In communal banking women learn group and leadership skills which can be applied to all areas of their lives. They learn to borrow, to save, and to set the conditions for the loans they make to capitalize their communal banks. Finally, communal banking gives women the experience they need to access the formal financial sector when they need more services and larger loans.

The program begins with classroom training, using a very participative methodology. Groups of 30 to 40 women meet twice a week for two and one-half hours. The first 5 lessons are empowerment lessons which focus on the women themselves, their personal goals, rights, and strengths. The next 14 lessons teach the women basic business skills they need to initiate or improve their small businesses. They select a business on the basis of a market study, make a business plan, and consider how they will invest the first loan in their businesses. The last 6 lessons teach the women how to organize and manage a communal bank. During this time they form solidarity groups, elect a board of directors and appoint a credit committee. The first phase of formal trainings takes three and one-half months.

Once the initial training is completed the second phase of the program commences: each trained group of women establishes and manages its own communal bank with the support of a Pro Mujer trainer-supervisor. Members of the bank solicit credit from Pro Mujer. The communal bank has a credit committee which verifies the reasonableness of the loans, the ability of the members to pay them back. Once the board of directors receives the loan from Pro Mujer, they distribute the money to solidarity groups which in turn distribute it to the solidarity group members.

The women make their repayments of principal and interest in weekly meetings. They deposit these payments into Pro Mujer's account at a commercial bank. They are also required to save 10 per cent of their loans. They deposit the weekly savings into their own account in a commercial bank. They reloan their savings to themselves and others at an interest rate they decide, paying the interest earned to themselves. The money they earn on lending their savings capitalizes their communal bank.

Loans are made in four-month loan cycles. During the first four-month loan cycle a Pro Mujer trainer-supervisor helps the bank members record all financial transactions, calculate balances, and deposit repayments and savings in the commercial bank accounts. She also helps the bank members solve problems in operating their small businesses. She meets with each bank member at the beginning and end of the loan cycle to evaluate the results of the use of the loan and to plan the next investment of credit. If any bank member is experiencing difficulty, the supervisor visits her business to help her determine possible solutions.

Once the bank members are familiar with bank operations a Pro Mujer trainer-supervisor provides complementary training in early childhood education, health, and family planning which helps them balance the demands of work and family so they do not neglect the needs of their children. The training takes place after bank meetings during the second bank cycle.

By the third four-month loan cycle, one year after the women have begun the training and bank program, the communal bank no longer needs to be supervised by a Pro Mujer trainer-supervisor because the members are capable of conducting their own meetings, making and repaying loans, and reloaning their savings. From the second year onward, the banks are monitored by trained women who attend the weekly or bi-monthly meetings of the bank, as the case may be, and who collect the bank's financial transaction forms to be entered in Pro Mujer's computerized accounting system. From this stage onward Pro Mujer only monitors the commmunal bank's balances and assures good accounting and banking practices. The bank members manage the banks themselves.

Pro Mujer provides loans up to 300 dollars. As members need larger loans and more financial services than the communal banks afford, they leave the program, "graduating" to more formal micro-lending institutions. It is estimated that the women will begin leaving the communal banks from the third year onward. Pro Mujer will monitor the banks that continue and train new solidarity groups to replace those that leave.

Agreements between Pro Mujer and other lending institutions are being established which will permit women who are leaving communal banks to gain immediate acceptance in other lending institutions. These institutions are saved the expense of making very small loans. They will send Pro Mujer the women who apply to them for credit but who do not meet their requirements for loans.

The following table summarizes the five stages of the training and credit program:

Table 1: Five Stages of the Training and Credit Program

Year	Four-Month Cycles	Program
Year 1	First Cycle	Classroom Training in Empowerment Business Skills Communal Banks
	Second Cycle	Communal Bank Operations
	Third Cycle	Communal Bank Operations Complementary Training in Early Childhood Development, Health, and Family Planning
Year 2	Fourth Cycle Sixth Cycle	Monitoring of Communal Banks
Year 3	Seventh Cycle onward	Women begin graduating to specialized micro-lending programs

C. Fit with Mission Objectives

The Mission's objective is to expand poor people's access to financial services. The Mission is interested in Pro Mujer because Pro Mujer extends the Mission model downward to poor women who are unbankable. Pro Mujer helps these women establish small businesses and a credit history which enables them to qualify for more specialized micro-lending programs.

The estimated demand for micro-lending credit in Bolivia is estimated to be between 500,000 and 1,000,000 households. Most of these households will be served by the formal sector which is being expanded by the Mission to target clients heretofore unserved. Mission supported micro-lending institutions such as PRODEM, Banco Sol, and Sartawi will eventually qualify for banking licenses which will permit them to access funds and reach a larger portion of the market.

Pro Mujer serves those households which do not qualify for credit even among the more subsidized micro-lending institutions such as PRODEM. The fact is that these households are not even soliciting credit from any micro-lending institutions. Pro Mujer familiarizes the women in these households with credit through the communal bank program. Once the women start their own small businesses and establish a credit history they are eligible to obtain larger loans from other micro-lending programs. Pro Mujer, as part of its training program, gives the women

information about other micro-lending programs and teaches women to evaluate different loan conditions when they are ready graduate.

Pro Mujer's goal is not to hold women in communal banks, but to train them to take advantage of the more extensive financial services offered by the specialized micro-lending programs.

The Apple Funds will enable Pro Mujer to consolidate and expand the level of operations in its regional programs in El Alto and Cochabamba. Pro Mujer would like to train and give loans to 6,000 women; 1,000 women a year, from 1994 to 1996, in both regions. In the fourth year women will begin graduating to other programs.

Pro Mujer's long range plan, 1996 to 1998, is to establish regional programs in five other major metropolitan areas of Bolivia-- Sucre, Tarija, Santa Cruz, Oruro, and Potosi. In seven years Pro Mujer will be working with an average of 3,000 clients and graduating an average of 1,000 clients in each location annually. In seven years Pro Mujer will have trained 35,000 women in Bolivia. The 35,000 households will be a modest, but significant, portion of the total market.

D. Current and Proposed Operations

Pro Mujer is the Bolivian branch of a U.S. private and voluntary organization. Pro Mujer has worked in El Alto, Bolivia since 1990. Pro Mujer has trained over 3,000 women in El Alto in empowerment, business skills, and communal banking. More than 1,200 of these women are now receiving credit in 41 communal banks. Pro Mujer would like to train and give credit to 3,000 more women in El Alto.

Pro Mujer is establishing a program in Cochabamba, where conditions are much the same as they are in El Alto. Pro Mujer would like to provide credit and training to 3,000 women living in the peri-urban areas and the surrounding rural towns of Cochabamba.

Pro Mujer has made significant progress during the past two years. First, Pro Mujer's training programs have been revised many times. The training manuals in empowerment, business skills, and communal banks are in final form and should need only slight modification to take into account regional needs of different groups of women. The training program has been given high marks by Deborah Caro in the 1993 external evaluation she did for Pro Mujer and by Marguerite Robinson who visited the program in the same year.

Second, Pro Mujer's credit program has been completely revised. A new information system has been designed. The computerized accounting system has been improved and simplified so that the work of the communal bank trainer-supervisor and bank monitors is greatly reduced. In Pro Mujer's new model 1,000 women will be trained annually and two communal banks established monthly in each regional program.

Pro Mujer's credit program will reach self-sufficiency in a regional location after four years of operation. By the fourth year, income from interest on the loans will pay for the costs of the communal bank program which are estimated to be 70 per cent of program costs. The income will offset, but never entirely cover training costs which are estimated to be 30 per cent of the program costs. However, the cost for training a women drops from approximately 56 dollars in the first year to 35 dollars in the fourth year of the program. This seems a reasonable cost per woman, considering the high quality and extensive nature of the training.

Pro Mujer is currently giving loans to 1,280 women in El Alto, with a loan portfolio of 50,000 dollars. The total program in El Alto and Cochabamba for 1994 will cost 368,130 dollars. 3 per cent is covered by interest earnings. The remainder is covered by grants.

In five years with the Apple Funds, Pro Mujer will be able to give loans to 5,760 women in El Alto and Cochabamba with a portfolio of 800,000 dollars. The annual cost in both regions will be approximately 373,757 dollars. 81 per cent will be covered by interest earnings. The remainder will be covered by grants. Credit costs which are calculated to be 70 per cent of total program costs will be completely covered by interest earnings as soon as the fourth year of the project.

Pro Mujer will obtain 500,000 dollars in PL-480 funds for training and operational costs to expand its programs in El Alto and Cochabamba. Pro Mujer is requesting matching funds of 500,000 dollars from the Apple Project for credit for 6,000 clients who will enter the program in the next three years. The grants from PL-480 and the Apple Project will help Pro Mujer expand its operations and establish its role in Bolivia's micro-lending market.

II. PROJECT BENEFICIARIES

A. Poverty in Bolivia

An assessment of poverty in Bolivia, based upon an analysis of the questionnaires of 5,777,641 of the 6,420,792 persons counted in Bolivia's 1992 census, found that 95.1 per cent of Bolivia's rural population are poor and 52.6 per cent of the urban population are poor (Mapa de Pobreza, INE, 1993). The 1992 census showed that 57.5 per cent of Bolivians live in urban areas. It is estimated that Bolivia's urban population will swell to nearly 70 per cent of the total population by the year 2000 (INE, CDC/Atlanta, 1992). Bolivians are leaving the rural areas for the cities in an attempt to escape from poverty.

Women are becoming a larger part of Bolivia's workforce. The 1992 census (INE, June, 1992) indicates that Bolivia's economically active population increased from 1,502,000 in 1976 to 2,530,409 in 1992. The number of economically active women increased from 337,000 to 986,304, an increase of nearly 300 per cent. The number of economically active men during this period increased from 1,165,000 to 1,544,105, and increase of only 33 per cent. Women now make up 40 per cent of Bolivia's labor force, and their participation in the labor force is growing faster than that of men.

Only 33.5 percent of working women have salaried employment. The majority of poor women work as domestic laborers (15.3 per cent) or are self-employed (49.5 per cent). The women are coming to the cities to earn income. Self-employment is the only practical opportunity for the majority of them. Self-employment allows women the flexible hours they need to raise children and do household chores. It also requires less formal education.

Poor Bolivian women are second-class citizens at home as well as at work. Violence against women is the norm in poor households and most women accept the abuse. Traditionally, women work hard, raise children, and receive little recognition for their labor.

The peri-urban areas of the two cities in which Pro Mujer is working, El Alto and Cochabamba, are growing rapidly due to migration. El Alto, the spillover of La Paz onto the Altiplano, the major poor neighborhood of La Paz, is expected to double, from 400,000 in 1992 to 800,000 in 2,000 (INE, CDC/Atlanta, 1993).

Cochabamba is growing at an annual rate of 4.83. Pro Mujer will be working in the outskirts of the city and in the nearby rural towns where very poor women are much like the women in El Alto. In Cochabamba illiteracy rates are as high as 50 per cent

in the rural towns for women. 18.2 cent of the population speaks only the native language Quechua. (Aymara is the native language spoken in El Alto). The average number of children per family is 6.2 Child mortality is 94 per 1,000. Women have increased their participation in the labor force from from 16 per cent in 1976 to 42 percent in 1992. 53 per cent of the women are self-employed. (INE, 1992)

B. Pro Mujer's Beneficiaries

Pro Mujer's beneficiaries are poor women who have migrated to El Alto and Cochabamba from rural areas. A study of 2,500 beneficiaries of Pro Mujer in El Alto showed that the average woman is 29 years old. 60 percent of the women are between the ages of 21 and 40 years old. Most are illiterate. 14 per cent of the women have never attended school; 44 per cent have completed a few years of elementary school; 14 per cent have completed a few years ofjunior high school; and only 8 percent have completed any years of high school.

The majority of the women in El Alto are bilingual. They speak Spanish and Aymara. Only 13 per cent have identity cards, the legal document required to vote, open a bank account, or sign any legal agreement.

65 per cent of the women are married or living with a man. The average number of children the women have is four. The majority of women do not realize they can limit their families. The few who practice birth control use the rhythm method promoted by the Catholic Church.

These women are not able to obtain salaried employment. They do not have the skills to compete for jobs with men. Their only alternative is self-employment. 45 per cent of the women in the study reported that they had earned some sort of income before entering the Pro Mujer's training and credit program. Only 18 per cent work reported that they worked.

33 per cent of the women are working or have worked in food-for-work programs where they earn a monthly ration of food equivalent to 15 dollars. The great majority of the women sell goods such as fruit, vegetables, candy, or dry goods, in the street. Their average monthly income is 20 dollars, not enough to cover the costs of the monthly family food basket, which is 28 dollars for a family of five. The women's annual income is far below the average annual income in Boliva which is 831 dollars. (INE, Consumer Price Index, April 1994)

One reason their income is so low is that they sell very small quantities of goods. They lack capital to increase or diversify their inventories. Most of the women do not qualify

for loans from micro-lending institututions because their businesses are unstable. The study of 2,500 beneficiaries of Pro Mujer shows that 88 per cent of the women never received credit from a micro-lending program before participating in Pro Mujer's credit and training programs.

III. INSTITUTIONAL CAPACITY

A. Pro Mujer

Pro Mujer has been operating since 1990 in El Alto, when it began training women in mothers clubs who were receiving donated food for themselves and their children under six years of age. In 1990 Pro Mujer developed four basic training programs in empowerment, early childhood development, health and family planning as a response to the women's needs as individuals and mothers. At the request of the women, Pro Mujer also developed a program in basic business skills to help the women increase their incomes.

In 1991, the women asked Pro Mujer to help them obtain credit to initiate or expand their small businesses. Pro Mujer selected communal banking as a means for providing credit to the women, and developed a communal bank program using the FINCA model. In October 1991, Pro Mujer received its first grant from USAID/Bolivia to train 500 women and establish 12 communal banks in El Alto. Pro Mujer hired a program supervisor and four trainers to carry out this program.

Pro Mujer's primary goal at that time was to train women, not to run a credit program. Pro Mujer gave the women seed capital for their banks. The interest the women paid on the seed capital was returned to them for the purpose of capitalizing their communal banks. This policy continued until 1993 when Pro Mujer's Executive Director and National Program Director went to Bangladesh to visit the Grameen Bank.

They returned with a new vision of the role Pro Mujer might play in Bolivia. They concluded that in order to reach significant numbers of women, Pro Mujer's credit program had to become more cost-effective. With the help of USAID/Bolivia, Pro Mujer redesigned the communal bank program so that it would achieve self-sufficiency over the next four years. Pro Mujer also changed the goal of the program. Instead of the banks being an end in themselves, they would be the means for graduating women to specialized micro-lending institututions.

The entire credit and training program was reorganized. New staff were hired to design the computerized accounting system and manage the program. A business plan was developed by the USAID/Bolivia Evaluation Officer to maximize Pro Mujer's resources over the next five years. All financial operations of the communal banks were reviewed by a credit consultant and redesigned. An interest rate was set which would generate earnings to cover the costs of the credit program by 1997.

Pro Mujer's staff in El Alto participated in redesigning the program. The El Alto program director and training staff have begun implementing the new program. The operational manuals which they developed will be used in Cochabamba regional office.

Pro Mujer has the experienced personnel and technical capcity it needs to implement the new model in El Alto and in Cochabamba. The Apple funds will enable Pro Mujer to extend credit to 6,000 new women in El Alto and Cochabamba over the next three years, 1994 to 1996.

B. National Capacity

There is significant and growing capacity within Bolivia to carry out effective micro-lending programs. It is estimated that there are at least 600,000 potential households for micro-lending programs. The average family size is five persons. On this basis the micro-lending market is approximately 3,000,000 persons, nearly 50 per cent of Bolivia's total population.

Banco Sol now serves 55,000 clients. PRODEM, a non-governmental organization (NGO) which develops profitable branches and sells them to Banco Sol, has 17,000 clients. Other NGOs such as Sartawi, FIE, PROCREDITO, and INDEPRO together service approximatley 15,000 clients. Another NGO, FUNDAPRO, has been established to provide loans to NGO micro-lending programs.

If each client receives an average loan of 500 dollars per year, the credit requirements of the 600,000 households would be 300,000,000 dollars. USAID/Bolivia is working with the Superintendency of Banks of Bolivia to license the strongest micro-finance programs so that they can capture deposits. Licenses will allow them to leverage funds from other sources for expanding their loan portfolios. In addition, USAID/Bolivia is establishing a a technical assistance program by which micro-lending institutions can receive help, as required, for improving their services, financial control, and financial viability.

Pro Mujer's training and credit program effectively complements the work of the other micro-lending programs. In each regional center, Pro Mujer will train a 1,000 women a year. From the third year onward, Pro Mujer will have a client base of 3,000 women in a regional office. From the fourth year onward 1,000 women will graduate annually. The graduates of Pro Mujer's program will be able to access larger loans from the specialized micro-lending institututions once they have completed Pro Mujer's training and credit program. Table 2 shows the number of beneficiaries in a regional office during five years of operation.

Table 2: Number of Beneficiaries in a Regional Office

Years	1	2	3	4	5
Business Skills and Credit	1,000	1,000	1,000	1,000	1,000
Savings and Credit Operations		1,000	2,000	2,000	2,000
Total in Program	1,000	2,000	3,000	3,000	3,000
Graduation				1,000	1,000
Total Beneficiaries	1,000	2,000	3,000	4,000	4,000

Pro Mujer's long range plan is to establish five additional regional centers over the next five years-- Sucre, Tarija, Santa Cruz, Oruro, and Potosi. In seven years,Pro Mujer will have served approximately 35,000 clients.

Training in Business Skills and Credit	7,000
Savings and Credit Operations (2 years)	14,000
Graduation to Other Programs	14,000
Total Clients in Five Years	35,000

C. External Collaborators

In 1993, Deborah Caro of the GENESYS Project undertook an external evaluation of Pro Mujer's training and credit program in which she assessed the progress achieved by trained women and documented program problems and solutions. Caro helped Pro Mujer assess and establish criteria to formulate indicators for measuring the impact of the program on raising women's income and expanding employment opportunities. Caro recommended that Pro Mujer's training and communal bank program be viewed as preparing poor women deal with more formal credit institutions. She foresaw that Pro Mujer's unique contribution is training and she advised Pro Mujer to retain its training focus while managing a system of communal banks.

Ann Beasley, the Evaluation Officer for USAID/Bolivia developed a business plan for Pro Mujer which estimates income, expenditures, and need for credit over the next five years.

Beasley, a former banker, managed the micro-lending programs for USAID in the Dominican Republic and has worked extensively as a consultant to micro-lending institutions in Central America.

IDEPRO, a Bolivian credit organization, provided their credit manager, Gonzalo Arraoz to review all the financial operations of Pro Mujer's communal banking system and to design a monitoring system which assures improved financial management and control of the program.

Plan International and Catholic Relief Services are funding a study to determine the social and economic impact of the training and credit program on Pro Mujer's beneficiaries in El Alto and Cochabamba. Virigina Lambert, a consultant working for Development Associates International, reviewed the design of the impact study, at the suggestion of USAID/Bolivia and made valuable recommendations which have been incorporated into the study.

Plan International will provide funding to establish regional offices in Sucre, Tarija, and Santa Cruz during the next three years.

Pro Mujer is part of a network of Bolivian micro-lending organizations which include PRODEM, FIE, PROCREDITO, Sartawi, and the World Council of Credit Unions. Representatives of these organizations meet regularly to share information and to work toward mutual objectives.

Pro Mujer belongs to the La Coordinadora de la Mujer, a network of organizations working to benefit women in Bolivia. Pro Mujer's National Director chairs the training committee and works with member institutions to improve the quality of training programs for women in Bolivia.

IV. COST-EFFECTIVENESS AND SUSTAINABILITY

Pro Mujer is dedicated to achieving cost-effectiveness and sustainability. The Pro Mujer Executive Director and the Bolivian National Director attended a training institute of the Grameen Trust in 1993. As a result of observing the Grameen Bank and talking with representatives of credit programs from 25 countries, they returned to Bolivia intent on streamlining procedures, cutting costs, and reaching more beneficiaries.

Cost effective practices already taken include the following: (1) Pro Mujer has designed a new training model whereby 1,000 women can be trained per year in any regional office and two communal banks are established every month. (2) Staff revised the Manual of Operations and the Manual of Functions to reflect the redesigned program. (3) All financial operations of the communal bank system have been revised and improved. (4) A new computerized accounting system has been designed to monitor all loans. (5) Staff work load has been increased.

With these systems in place it is feasible for Pro Mujer to extend credit to 6,000 women in El Alto and Cochabamba during the next three years, 1994 to 1996. Once this level of operations is reached, the income earned from interest on loans will cover the costs of Pro Mujer's credit program. Pro Mujer is in the process of making the transition to the new model in El Alto and will implement this model in Cochabamba.

Pro Mujer's financial plan, designed by USAID/Bolivia Evaluaion Officer, Ann Beasley, maximizes the use of resources over the next five years. It will be used to guide Pro Mujer's growth and financial management. Pro Mujer can adjust the variables of the model as necessary.

A. Current Income and Costs

The following data on income and costs is given for FY 1994. The statements of income and costs reflect the current level of operations of Pro Mujer. They do not include Pro Mujer's new funding from PL-480 and the Apple Project. Sub-section D1 is an estimate of Pro Mujer's financial operations for FY 1994 through FY 1998 with the inclusion of PL-480, Apple Project, and other funds.

Income from interest generated on loans is low during the first year because of Pro Mujer's past practice of returning the interest income to the women to capitalize their communal banks. However, this policy has been changed. From now on, the interest earned will be used to cover the costs of the credit program.

These costs are estimated to be 70 per cent of the total program costs.

During the next five years income from credit increases so that by the fourth year income covers the cost of providing credit and managing the communal bank program.

Training costs, estimated at 30 per cent of the total program, are reduced from 56 dollars per woman in 1994 to 35 dollars per woman in 1996, as interest earnings are applied to cover a portion of the training costs.

A (1) TOTAL INCOME, 1994

(a).	Interest Income from Loans to Clients	$ 13,831
(b).	Fee Income from Loans to Clients	---
(c).	Interest-Income from Other Sources	---
(d).	Income from Other Services Such as Training	---
(e).	Grants:	
	Operating Grants	304,300
	Capital Grants	50,000
	Total Income	$ 368,131

A (2) TOTAL COSTS, 1994

FINANCIAL COSTS

(a).	Cost of commercial money	$ ---
(b).	Cost of Grant Money	---
(c).	Cost of Interest Payments to Clients	---
	on Savings Accounts	---

LOAN MANAGEMENT COSTS

Salaries and Benefits	$ 147,811
Auditing, Legal, Computer & Misc. Fees	2,593
Rent	22,123
Insurance	4,494
Equipment Maintenance & Repair	2,765
Publicity	---
Basic Office Materials	3,457
Utilities	2,627
Equipment Acquisition Fund	27,423
Transportation of Field S aff	11,061
Per Diem, if paid	---
Materials Cost for Loan Documentation	23,160
Bank Charges for Repayment Handling, if paid	---
Information Services to Clients	
Bad Debt Reserve	
Other Costs:	
Indirect Costs	70,616
Other	
Total Costs	$ 318,131

B. Detail on Interest Rate and Fees

1. INTEREST

(a) Nominal Rate: Pro Mujer charges a nominal interest rate of 48 per cent in Bolivianos, 4 per cent monthly on outstanding loan balances.

(b) Inflation Rate: Pro Mujer charges an inflation rate of 7 per cent annually.

(c) Flat or Declining Rate: Pro Mujer only changes interest on the outstanding or declining balance of the loan.

(d) Forced Savings: Pro Mujer requires forced savings of 10 per cent of the loan amount. The savings are Pro Mujer's provision against loan loss. They are also a method of training women in formal savings accumulation, they provide an additional source of credit for the women, and they serve as an important tool for teaching money management.

Repayments of Pro Mujer's loans are deposited into Pro Mujer's bank account. The required savings of 10 per cent and any additional savings are deposited into a bank account belonging to the members of the communal bank. The members of the communal bank reloan the savings to themselves and others, setting the interest rate for the loans and the interest rate paid to the savers. The savings and loans made from them are an extremely practical way for the women to learn and improve their money management.

The women also make discretionary savings which may be withdrawn at any time. The women may withdraw her forced savings, with the interest set by herself and her fellow bank members, when she leaves the communal bank or after six successful loans and loan repayments without default (two years of six four-month loan cycles), whichever comes sooner.

2. FEES

(a) Initial Application Fee: Pro Mujer charges no initial application fee.

(b) Other Initial Charges: There are no initial charges for credit.

(c) Other Fees: Pro Mujer charges a 5 dollar fee for training to be paid by the end of the first four months of training.

(d) Late Fees: Pro Mujer charges late fees of 7 per cent annually, or .00002 per day in addition to the regular interest rate.

(e) Term: Loans are given in four-month loan cycles and repaid in weekly installments.

C. General Program Information

		Women	Men	Total
Total Number of Clients		2,000	---	2,000
Number of Loans Disbursed Quarterly		2,000	---	2,000
Amount of Loan Money Disbursed Quarterly	$	59,000	---	59,000
Average Loan Size	$	118	---	118
Total Amount of Money Being Lent	$	30,000	---	30,000
Number of Loans Delinquent		40	---	40
Actual Dollar Mount Delinquent as a Percentage of the Total Portfolio	$	1,180	---	1,180
Number of Branch Offices, Rural, Urban, or Both				2
Effective or Nominal Rate Charged by Local Money Lenders				100 to 300 % per year

D. Projected Income and Costs for the Apple Financed Project, 1994 to 1998, Including Projected Annual Balance Sheets

This sub-section contains (1) income and expenditure estimates for the five-year project period from FY 1994 to 1998, and (2) estimated balances sheets for each of these five years. Pro Mujer expects to receive other funding. This funding and the income that it will generate are included in the projections in subsection F (1). The projections are for Pro Mujer's current operations, plus the expenditures and income made possible by the PL-480 and Apple Project grants. All expenditures are for Pro Mujer's operations in El Alto and Cochabamba and the associated central office costs. The income is for the credit program is generated from interest. A small percentage of training costs is generated by a training fee of 5 dollars per woman.

Training costs are estimated at 30 per cent of the program. Loan management costs are 70 per cent of total program costs. The loan management program reaches self-sufficiency in the fourth year. Training costs are only partially covered by the

income generated from interest on loans and the training fee. It is expected that training costs will always need to be subsidized, but that subsidies for training women are feasible. The Government of Bolivia's Social Investment Fund (FIS) has indicated willingness to give Pro Mujer grants for training women in all the five basic programs. The cost of the training varies per year from 56 to 60 dollars (total training costs divided by 1,000 beneficiaries per year). The the average cost is 56 dollars per beneficiary during the first three years. This drops to approximately 35 dollars in the fourth and fifth year of the program when income earned from interest on loans is also applied toward the costs of training.

D (1) The Apple Financed Project Income and Costs, 1994 to 1998

INCOME:	1994	1995	1996	1997	1998
Interest Income from Loans to Clients	13,831	87,788	201,877	293,555	301,594
Fee Income from Loans to Clients	---	---	---	---	---
Interest-Income, Other Sources	---	---	---	---	---
Income from Other Services	---	---	---	---	---
Grants:					
Operating Grants	354,300	273,104	204,034	122,604	72,164
Capital Grants (APPLE)	100,000	300,000	300,000	50,000	---
Total Income	468,131	660,892	705,911	466,159	373,758
COSTS:					
FINANCIAL COSTS					
Cost of commercial money	---	---	---	---	---
Cost of Grant Money	---	---	---	---	---
Cost of Interest Payments to Clients on Savings Accounts	---	---	---	---	---
LOAN MANAGEMENT COSTS					
Salaries and Benefits	171,043	180,761	219,787	198,257	208,170
Auditing, Legal, Computer & Misc. Fees	3,000	1,800	1,800	1,800	1,800
Rent	25,600	24,000	24,000	24,000	24,000
Insurance	5,200	4,680	4,680	4,680	4,680
Equipment Maintenance & Repair	3,200	2,880	2,880	2,880	2,880
Publicity	---	---	---	---	---
Basic Office Materials	4,000	3,360	3,360	3,360	3,360

Utilities	3,040	2,304	2,304	2,304	2,304
Equipment Acquisition Fund	31,733	16,280	16,280	16,280	16,280
Transportation of Field Staff	12,800	13,920	13,920	13,920	13,920
Per Diem	---	---	---	---	---
Materials Cost for Loan Documentation	26,800	26,800	26,800	13,400	13,400
Bank Charges for Repayment Handling	---	---	---	---	---
Information Services to Clients	---	---	---	---	---
Bad Debt Reserve *	---	---	---	---	---
Other Costs:					
Indirect Costs **	81,715	80,107	90,100	81,278	82,964
Other	4,000	---	4,000	---	---
Total Costs	368,131	360,892	405,911	366,159	373,758
Increase in loan portafolio	100,000	300,000	300,000	100,000	---

* 3 % of income has been reserved for bad debts.

** Indirect costs are estimated for the three-year period at the Calendar Year rate for 1993, 28.53%, as audited by KPMG Peat Marwick which is less than the 1992 USAID-audited rate.

D (2) Projected Annual Balance Sheets Including the Apple Financed Project

	1994	1995	1996	1997	1998
ASSETS					
Current Assets:					
Cash in banks (interest)	13,831	87,788	201,877	293,555	301,594
Grants and grants receivable	174,300	273,105	204,035	72,604	72,164
Other receivables and travel advances	---	---	---	---	---
Other Assets:					
Credit loan portfolio	100,000	400,000	700,000	800,000	800,000
Total Current Assets	288,131	760,893	1,105,912	1,166,159	1,173,758
Equipment net of depreciation	32,000	50,987	53,813	56,075	57,884
Total Assets	320,131	811,880	1,159,725	1,222,234	1,231,642
LIABILITIES AND FUND BALANCES					
Current Liabilities:					
Salaries payable	---	---	---	---	---
Other liabilities	---	---	---	---	---
Total Current Liabilities	---	---	---	---	---
Fund Balances:					
Current Funds:	288,131	760,893	1,105,912	1,166,159	1,173,758
Equipment Fund - expended	32,000	50,987	53,813	56,075	57,884
Total Fund Balances	320,131	811,880	1,159,725	1,222,234	1,231,642
Total Liabilities and Fund Balances	320,131	811,880	1,159,725	1,222,234	1,231,642

V. SOURCE OF MISSION FUNDING

The source of Mission counterpart funding for the Pro Mujer project is PL-480 Title III funds. Local currency uses of Title III funds include support for micro-lending projects. Pro Mujer has been awarded a additional grant of 500,000 dollars to train women in business skills and provide credit to them through communal banks in the Cochabamba region of the country and to expand Pro Mujer's operations in El Alto. The grant will be made available to Pro Mujer in 1994.

VI. PROJECT BUDGET

The five-year project is expected to cost approximately $ 2,674,851. This is the amount required to expand and consolidate Pro Mujer's operations in El Alto and fully establish Pro Mujer's operations in Cochabamba. Subsection (1) shows project costs, income and funding requirements for the five-year duration of the Apple Financed project for the two regional offices, Cochabamba and El Alto. All additional sources of grants are shown.

Income from interest is treated as a reduction in the training and operational costs for each of the three years. This income will exceed operational credit costs in the fourth and succeeding years, and Pro Mujer's operations will be self-sustaining in El Alto and Cochabamba.

Budget 1 shows the central office costs which are also separated into training costs (30 per cent) and credit costs (70 per cent). The central office credit costs are divided over the regional offices.

Budget 2 shows the annual costs for each regional office (Cochabamba and El Alto) over the five years of the project. Total annual costs are separated into training costs (30 per cent) and costs for managing the credit program (70 per cent).

Budget 3 shows income, expenses, and self-sufficiency for the credit component for each regional office, El Alto and Cochabamba, for 1994 to 1998.

The following three pages constitute the detailed budget request from PL-480 and the Apple Project.

1. Total Funding Required for the Project, 1994 to 1998

	1994	1995	1996	1997	1998	TOTALS
PROJECT COSTS:						
Central Office Costs: *	107,239	62,568	59 563	66,949	64,162	342,483
El Alto Costs:	139,446	149,162	173,174	149,605	154,798	766,184
Cochabamba Costs:	139,446	149,162	173,174	149,605	154,798	766,184
Total Costs	386,131	360,892	405,911	366,159	373,758	1,874,851
Financing for loan portafolio	100,000	300,000	300,000	100,000	---	800,000
Total Fund Needed	468,131	660,892	705,911	466,159	373,758	2,674,851
PROJECT INCOME:						
Interest Income	13,831	87,788	201,877	293,555	301,594	898,645
Grants:						
APPLE Project, Funding for Credit	---	200,000	300,000	---	---	500,000
Counterpart:						
PL-480 (Title II)	404,300	248,000	111,448	---	---	763,748
PL-480 (Title III)	---	25,104	92,586	48,414	---	166,104
Other Grants:						
Govt. of Bolivia (FIS)	---	---	---	74,190	72,164	146,354
PLAN Int.	---	100,000	50,000	---	---	150,000
C.R.S.	50,000	---	---	---	---	50,000
Total Income	468,131	660,892	705,911	466,159	373,758	2,674,851

* Central office costs are shared by several projects. 80 % of total central office costs are assigned to this project in 1994 (80 % of the total costs shown in Budget 1) and 40 % for the years from 1995 to 1998.

1. Annual Central Office Costs

	1994	1995	1996	1997	1998	Totals
1. PERSONNEL						
National Director ($2000/mo x 14 mos)	28,000	29,400	30,870	32,414	34,034	154,718
Financial Manager ($1,000/mo x 14 mos)	14,000	14,700	15,435	16,207	17,017	77,359
Programmer ($700/mo x 14 mos)	9,800	10,290	10,805	11,345	11,912	54,151
Accountant ($400/mo x 14 mos)	5,600	5,880	6,174	6,483	6,807	30,944
Secretary ($350/mo x 14 mos)	4,900	5,145	5,402	5,672	5,956	27,076
Chaufer ($200/mo x 14 mos)	2,800	2,940	3,087	3,241	3,403	15,472
Messenger ($100/mo x 14 mos)	1,400	1,470	1,544	1,621	1,702	7,736
Total, Personnel	66,500	69,825	73,316	76,982	80,831	367,454
2. FRINGE BENEFITS (19% of Salaries)	12,635	13,267	13,930	14,627	15,358	69,816
3. OFFICE COSTS:						
Rent ($500/mo x 12 mos)	6,000	6,000	6,000	6,000	6,000	30,000
Telephone ($100/mo x 12 mos)	1,200	1,200	1,200	1,200	1,200	6,000
Utilities($30/mo x 12 mos)	360	360	360	360	360	1,800
Materials ($200/mo x 12 mos)	2,400	2,400	2,400	2,400	2,400	12,000
Supplies ($100/mo x 12 mos)	1,200	1,200	1,200	1,200	1,200	6,000
Repairs on equipment ($100/mo x 12/mos)	1,200	1,200	1,200	1,200	1,200	6,000
4. TRANSPORTATION:						
Gas and Maintenance, Jeep ($ 100 mo x 12 mos)	1,200	1,200	1,200	1,200	1,200	6,000
20 Round Trips,($100/trip x 20)		2,000	2,000	2,000	2,000	8,000
Per Diem ($40/day x 40 days)		1,600	1,600	1,600	1,600	6,400
5. PURCHASE FIXED ASSET						
Equipment	5,000	5,000	5,000	5,000	5,000	25,000
6. INSURANCE AND FEES						
Life insurance	1,000	1,000	1,000	1,000	1,000	5,000
Equipment	500	500	500	500	500	2,500
Car insurance	450	450	450	450	450	2,250
Legal fees	1,500	1,500	1,500	1,500	1,500	7,500
Audit	3,000	3,000	3,000	3,000	3,000	15,000
External Evaluation		10,000		10,000		20,000
TOTAL DIRECT COSTS	104,145	121,702	115,856	130,219	124,799	596,721
6. INDIRECT COSTS (28.53%)	29,713	34,722	33,054	37,151	35,605	170,244
TOTAL CENTAL OFFICES COSTS	133,858	156,423	148,910	167,370	160,404	766,965
Training Costs (30%)	40,157	46,927	44,673	50,211	48,121	230,090
Credit Program (70%)	93,700	109,496	104,237	117,159	112,283	536,876

2. Annual Costs for Each Regional Program (Cochabamba and El Alto)

	1994	1995	1996	1997	1998	Totals
1. PERSONNEL:						
1 Director ($800/mo x 14 mos)	11,200	11,760	12,348	12,965	13,614	61,887
1 Training Coordinator ($700/mo x 14 mos)	9,800	10,290	10,805	5,672	5,956	42,523
2 Business Skills Trainers ($400/mo x 14 mos x 2)	11,200	11,760	12,348	6,483	6,807	48,598
2 Bank Trainers ($400/mo x 14 mos x 2)	11,200	11,760	12,348	6,483	6,807	48,598
1 Secretary ($250/mo x 14 mos)	3,500	3,675	3,859	2,026	2,127	15,187
Bank Monitors:						
3 Monitors ($100/mo x 14mo x 3)		4,200	4,410	4,631	4,862	18,103
5 Add'l Monitors (100 x 14 x 5)			7,000	7,350	7,718	22,068
5 Add'l Monitors (100 x 14 x 5)				7,000	7,350	14,350
1st Supervisor ($400/mo x 14 mo)		5,600	5,880	6,174	6,483	24,137
2nd Supervisor ($400/mo x 14 mo)			5,600	5,880	6,174	17,654
1 Data Enterer ($200/mo x 14 mo)	2,800	2,940	3,087	3,241	3,403	15,472
Total, Personnel	49,700	61,985	77,684	67,905	71,300	328,574
2. FRINGE BENEFITS (19 % of Salaries)	9,443	11,777	14,760	12,902	13,547	62,429
3. OFFICE COSTS:						
Rent ($300/mo x 12 mos)	3,600	3,600	3,600	3,600	3,600	18,000
Telephone ($50/mo x 12 mos)	600	600	600	600	600	3,000
Supplies ($100/mo x 12 mos)	1,200	1,200	1,200	1,200	1,200	6,000
Computer Purchase	2,000					2,000
Office Furniture	2,000					2,000
Photocopier	3,000					3,000
Flipchart	60					60
Repairs on equipment ($100/mo x 12 mos)	1,200	1,200	1,200	1,200	1,200	6,000
4. TRANSPORTATION						
Public Transportation ($500/mo x 12 mos)	6,000	6,000	6,000	6,000	6,000	30,000
5. INSURANCE AND FEES						
Life insurance	1,000	1,000	1,000	1,000	1,000	5,000
Equipment	500	500	500	500	500	2,500
Car insurance	450	450	450	450	450	2,250
6. TRAINING MATERIALS:						
Training Manuals ($5/manual x 1,000 trainees)	5,000	5,000	5,000	2,500	2,500	20,000
Paper, markers, etc. $200/group x 24 groups)	4,800	4,800	4,800	2,400	2,400	19,200
Hand Calculators ($15/calculator 8/group x 24 groups)	2,880	2,880	2,880	1,440	1,440	11,520
Snack,($20 x 3/Groups x 12 mos)	720	720	720	360	360	2,880

		1994	1995	1996	1997	1998	Totals
7. TRAINING COSTS:							
Rent/renovation of centers ($100/mo x 12 mos x 6 ctrs)		7,200	7,200	7,200	7,200	7,200	36,000
Training Equipment:							
Cabinet	200						
Tables ($25 x 7)	175						
Chairs ($15 x 40)	600						
Stove ($40 x 1)	40						
Bottle Gas ($35 x 1)	35						
Cooking Set ($140 x 1)	140						
Cost/Training Center	$ 1,190						
6 Training Centers x $ 1,190 per Center		7,140	7,140	7,140	7,140	7,140	35,700
TOTAL DIRECT COSTS		108,493	116,052	134,734	116,397	120,437	596,113
8. INDIRECT COSTS (28.53%)		30,953	33,110	38,440	33,208	34,361	170,071
TOTAL COSTS, REGIONAL PROGRAM		139,446	149,162	173,174	149,605	154,798	766,184

* From 1996 onward, each regional office will pay its proportional costs of the national office.

Total, Annual Costs for Regional Program	139,446	149,162	173,174	149,605	154,798	766,184
Training Costs (30%)	41,834	44,749	51,952	44,881	46,439	229,855
Credit Program (70%)	97,612	104,413	121,222	104,723	108,358	536,329

55

3. Annual Income, Expenses, and Self-Sufficiency for a Regional Program

	1994	1995	1996	1997	1998
GROSS INCOME:					
No. of Banks	16	40	64	72	72
No. of Women per Bank	40	40	40	40	40
Total No. of Borrowers	640	1,600	2,560	2,880	2,880
Annual Volume of Loans	118,000	688,000	1,512,000	2,088,000	2,112,000
Annual Volume of Repayments	85,000	577,375	1,369,500	2,042,250	2,112,000
Current Portafolio	33,000	143,625	286,125	331,875	331,875
Annual Rate of Interest	0.48	0.48	0.48	0.48	0.48
Annual Gross Income	7,684	48,771	112,154	163,086	167,552
ADJUSTED GROSS INCOME:					
Gross Income	7,684	48,771	112,154	163,086	167,552
Loan Loss Reserve (3% of Annual Repayments)	(231)	(1,463)	(3,365)	(4,893)	(5,027)
Maintenance of Value (7 % of Annual Loan Volume)	(538)	(3,414)	(7,851)	(11,416)	(11,729)
Adjusted Gross Income	6,915	43,894	100,939	146,777	150,797
REGIONAL PROGRAM COSTS					
Training Costs (30%)					
Regional Program Costs	(41,834)	(44,749)	(51,952)	(44,881)	(46,439)
Share, Central Office Costs:					
Divided among 3 regions	(13,386)				
Divided among 5 regions		(9,385)	(8,935)	(10,042)	(9,624)
Total Training Costs	(55,220)	(54,134)	(60,887)	(54,924)	(56,064)

Credit Program (70%)					
Regional Program Costs	(97,612)	(104,413)	(121,222)	(104,723)	(108,358)
Share, Central Office Costs:					
Divided among 3 regions	(31,233)				
Divided among 5 regions		(21,899)	(20,847)	(23,432)	(22,457)
Total Credit Costs	(128,846)	(126,313)	(142,069)	(128,155)	(130,815)
Annual Expenditures	(184,065)	(180,446)	(202,956)	(183,079)	(186,879)
SELF-SUFFICIENCY TOTAL:	(177,150)	(136,552)	(102,017)	(36,301)	(36,082)
SELF-SUFFICIENCY CREDIT:	(121,930)	(82,418)	(41,131)	18,622	19,982

VII. PROJECT MANAGEMENT AND MONITORING

A. Project Monitoring

Each communal bank of approximately 40 women has a credit committee and board of directors. Loans are made in four-month loan cycles to solidarity groups of five women each. Immediately prior to the start of each loan cycle, the members of the credit committee visit the small businesses of each of the women in the communal bank to investigate the status of the business, identify needs for technical assistance, and verify the reasonableness of the loan amount being requested by the member. The credit committee may negotiate changes in loan requests in order to insure that each woman and solidarity group will repay its loan. The solidarity group and board of directors then present the consolidated loan request, including information on the amount for each solidarity group and women, to Pro Mujer for consideration. The Pro Mujer trainer and regional office manager must approve the loan amount and may negotiate adjustments in individual or solidarity group amounts.

Once approved, a loan repayment plan, showing weekly payments of principal and interest is printed out for each communal bank and for each member. Loan contracts are also printed out for each communal bank. Loan disbursements are then made in a meeting of the members of the communal bank to all solidarity groups and bank members. Each women and solidarity group signs the receipt of the loan.

Loan repayments are made each week in a meeting of the members of the communal bank. Payments are made in accordance with the payment plans and loan contracts. Bank members also make required savings of 10 per cent of their loan amount and voluntary savings at their discretion. These savings generate interest for the savers and act as a guarantee for Pro Mujer's loans to them. The repayments of Pro Mujer's loans and associated interest payments are deposited in Pro Mujer's bank account by a member of the board of directors and Pro Mujer's bank trainer. The savings of the women are deposited in the account of the communal bank.

The women loan out the money they have saved and pay themselves the interest they earn on the loans. If a solidarity group cannot make its full weekly payment to Pro Mujer, the deficit is deducted from the savings of the women.

B. Loan Procedures

The following the procedures will be followed for all loans:

1. All bank members are required to sign the bank register. Their identity cards are noted if they have them. All members are assigned code numbers.

2. Each bank must apply formally for credit from Pro Mujer, listing the solicited amount of each member. The credit committee must approve the reasonableness of all loans. The Pro Mujer program supervisor approves all loan application.

3. The program supervisor signs an order to write the check and the check is then made out to the President of the communal bank.

4. A payment plan is provided for the communal bank and for each individual member.

5. A loan contract is written and signed by each bank member.

6. All bank members sign the receipt for the loan to the communal bank.

7. The check is given to the bank's board of directors.

8. The communal bank board of directors cash the check and disburse the loans to solidarity groups. Each solidarity group member receives her loan.

9. The bank members meet weekly to repay their loans with interest and save.

10. If a member does is not able to pay her loan installment, the amount she owes is deducted from the bank's savings.

These procedures are designed to protect Pro Mujer and the members of the communal banks.

C. Reporting

Pro Mujer uses a computerized system to manage its loan portfolio and monitor and control its micro-lending operations and the savings of its clients. Loans and loan repayments are recorded on the day in which they are made or received. The system therefore produces weekly information on all financial transactions and the status of the loan portfolio as a whole.

The following reports permit financial analysis of the program performance:

1. Loan Portfolio: This report includes the date, loans disbursed, repaid, the outstanding loan portfolio, and interest income for each regional office (by bank and by individual).

2. Arrears: This report will be produced by regional office, trainer-supervisor, communal banks, and individuals. It includes the amount outstanding, the amount of the loan, the number of late payments, and the date of the next payment.

3. Balances for Communal Banks: This report shows the number of bank members (original and new), total amount loaned, arrears, savings, repayments, and loan portfolio.

4. Individual Balances: This report includes the number of loans received, arrears, number of days due, amount of present loan repaid, owed, savings, last date of payment, next date of payment.

5. Statistical Report: This report is produced quarterly. It shows past and accumulated balances for numbers of clients, number of loans dispursed, amounts repaid, total arrears, time due, interest income, and savings.

6. Financial Statements: These statements include profit and loss, cash flow, and balance sheets. They are produced monthly and summarized in the annual audit.

D. Monitoring Apple Funds

Pro Mujer notes source of funds for every loan dispursed. The number and size of all loans made with Apple Funds will be monitored daily.

E. The Board of Directors of Pro Mujer

The Board of Directors meets twice a year in Washington or New York City. The members of the board were selected for their expertise in the following areas: organizational development, international development, training programs, financial management, legal knowledge, credit, research, program development and funding. Not all members are included in the following description of the Board of Directors of Pro Mujer.

Ruth Cowan, President, is an organizationl development specialist with experience in women's issues. She presently is a consultant to colleges in financial trouble. Cecilia Otero, Vice President, has been director of training for the Peace Corps

many development projects in Central American and African countries. Margarite Karsten, Treasurer-Secretary, is the librarian of the Executive Director's Library, World Bank. Jessica Ladd, Counsel, was formerly with Harmon, Curran, Gallagher, and Spielberg, a law firm speicalizing in voluntary agency incorporation and support.

Gail Harmen, Member, is a partner of Harmon, Curran, Gallagher, and Spielberg. Jack Van Lutzenberg Maas, Member, is Division Chief of the Population and Human Resources Division, Eastern African Department at the World Bank. He has worked in Asia and Latin America. Winnie Hill, Member, is Chief Financial Officer at Alternative Technologies and has extensive experience in financial oversight in international development. Carla Skodinski, Member, is Vice President, The Merchant Bank, Goldman Sachs & Co. where she administers investment funds for high net worth clients. Betsy Davis, Member, is the Coordinator of Women in Development for the Peace Corps in Washington, D.C. She has worked for many years in Latin America. Jean McCloskey, Member, is the Executive Director of the Women's City Club in New York City. She has extensive experience in organizationai development and funding.

J.D. Von Pischke is a Technical Advisor to the Board on financial programs. He is currently heading a project for USAID/Washington to evaluate innovative credit programs in development countries. He has written extensively on extending financial services to the poor.

HIID

HARVARD INSTITUTE FOR INTERNATIONAL DEVELOPMENT
One Eliot Street, Cambridge, Massachusetts 02138

Tel. (617) 495-2161
Cable Address: HIID
Telex: 275276
TWX No.: 7103200315
FAX No. 617-495-0527

To: Richard Rosenberg
Steven Smith
USAID, La Paz, Bolivia
From: Marguerite Robinson MR
Date: May 26, 1994

Subject: The Pro-Mujer Application for Apple Micro-lending Funds

I understand that Pro-Mujer has applied for funds from the Apple micro-lending program, and I write in support of their application. Although I have no official relationship with Pro Mujer, I have on several occasions visted their offices in La Paz and discussed with them their work in Bolivia. I have visited many training programs for the poor in a number of countries over many years; I am quite skeptical about the value of most those I have seen. Pro Mujer is an unusual exception. Pro-Mujer works, in fact as well as in theory, with the poorest of poor women. Their clients are women who are not yet eligible for credit from financial institutions that provide credit to microenterprises. Pro Mujer helps these women to develop profitable microenterprises.

In recent years it has become more widely recognized that microenterprises are important to economic development because they provide both employment and value added, and because they provide cheap food, goods and services to lower-income people who would otherwise not be able to subsist at their present income levels. It is in this context that increasing attention has been given to the development of sustainable institutional finance for microenterprises (for a recent overview see The New World of Microenterprise Finance, edited by Maria Otero and Elizabeth Rhyne, 1994).

Pro-Mujer is unusual because it provides poor women with training programs that emphasize empowerment and basic business skills, and with small amounts of credit. The newly developed skills of these women then enable them to manage microenterprises, and their credit history with Pro-Mujer enables them to obtain credit from financial institutions in order to capitalize such enterprises. To the best of my knowledge, Pro Mujer's communal bank approach is unique because its aim is not to finance poor women indefinitely, but rather to train and finance them and then to 'graduate' them to formal financial programs in which they have access to larger loans and to deposit services. Pro-Mujer accepts a continuing stream of new women, thus helping many to move out of severe poverty. It provides graduates with opportunities for financial services that would otherwise be unavailable to them, while also acting as a feeder for financial institutions serving microenterprises.

Pro Mujer's aim is to provide an enabling environment for very poor women to make the transition from extreme poverty to ownership of income-generating microenterprises. My impression from my visits to Pro Mujer and from discussions with their clients is that Pro Mujer is highly successful at attaining its well planned, and very important, aims. I believe that this approach has the potential to become a model for other parts of the developing world. For these reasons, I recommend strongly that Pro Mujer's application for Apple funds be accepted. If further information would be helpful, I would be happy to provide it.