PDKAH 696

UNCLASSIFIED

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

BOLIVIA

PROJECT PAPER

MARKET TOWN CAPITAL FORMATION

AID/LAC/P-301

Loan Number:511-T-071
Project Number:511-0573

UNCLASSIFIED

AGENCY FOR INTERNATIONAL DEVELOPMENT

PROJECT DATA SHEET

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

DOCUMENT CODE: 3

2. COUNTRY/ENTITY: Bolivia

3. PROJECT NUMBER: 511-0573

4. BUREAU/OFFICE: LAC 05

5. PROJECT TITLE (maximum 40 characters): Market Town Capital Formation

6. PROJECT ASSISTANCE COMPLETION DATE (PACD): MM 07 DD YY 91

7. ESTIMATED DATE OF OBLIGATION (Under "B." below, enter 1, 2, 3, or 4)

A. Initial FY 86 B. Quarter 4 C. Final FY 91

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

A. FUNDING SOURCE	FIRST FY 86 B. FX	C. L/C	D. Total	LIFE OF PROJECT E. FX	F. L/C	G. Total
AID Appropriated Total						
(Grant)	(2,776)	(150)	(2,926)	(3,256)	(244)	(3,500)
(Loan)	(7,154)	(-)	(7,154)	(15,000)	(-)	(15,000)
Other U.S. 1.						
Other U.S. 2.						
Host Country	-	1,400	1,400	-	6,900	6,900
Other Donor(s) (Private Sector)	-	3,300	3,300	-	16,500	16,500
TOTALS	9,930	4,850	14,780	18,256	23,644	41,900

9. SCHEDULE OF AID FUNDING ($000)

A. APPROPRIATION	B. PRIMARY PURPOSE CODE	C. PRIMARY TECH. CODE 1. Grant	C. 2. Loan	D. OBLIGATIONS TO DATE 1. Grant	D. 2. Loan	E. AMOUNT APPROVED THIS ACTION 1. Grant	E. 2. Loan	F. LIFE OF PROJECT 1. Grant	F. 2. Loan
(1) ARDN	100	190	190			2,206	3,750	3,500	15,000
(2)									
(3)									
(4)									
TOTALS						2,206	3,750	3,500	15,000

10. SECONDARY TECHNICAL CODES (maximum 6 codes of 3 positions each)

11. SECONDARY PURPOSE CODE

12. SPECIAL CONCERNS CODES (maximum 7 codes of 4 positions each)

A. Code

B. Amount

13. PROJECT PURPOSE (maximum 480 characters)

To increase the level of productive private sector investment in Bolivia's rural and semi-urban areas.

14. SCHEDULED EVALUATIONS: Interim MM 09 YY 88; MM YY; Final MM 05 YY 91

15. SOURCE/ORIGIN OF GOODS AND SERVICES: Grant [X] 000; Loan [X] 941; Grant/loan [X] Local; [ ] Other (Specify) ______

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

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

Steven G. Liapis, Controller

17. APPROVED BY

Signature:

Title: David A. Cohen, Director, USAID/Bolivia

Date Signed: MM 07 DD 21 YY 86

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

AID 1330-4 (8-79)

X file

INSTRUCTIONS

The approved Project Data Sheet summarizes basic data on the project and must provide reliable data for entry into the Country Program Data Bank (CPDB). As a general rule blocks 1 thru 16 are to be completed by the originating office or bureau. It is the responsibility of the reviewing bureau to assume that whenever the original Project Data Sheet is revised, the Project Data Sheet conforms to the revision.

Block 1 - Enter the appropriate letter code in the box, if a change, indicate the Amendment Number.

Block 2 - Enter the name of the Country, Regional or other Entity.

Block 3 - Enter the Project Number assigned by the field mission or an AID/W bureau.

Block 4 - Enter the sponsoring Bureau/Office Symbol and Code. *(See Handbook 3, Appendix 5A, Table 1, Page 1 for guidance.)*

Block 5 - Enter the Project Title *(stay within brackets; limit to 40 characters).*

Block 6 - Enter the Estimated Project Assistance Completion Date. *(See AIDTO Circular A-24 dated 1/26/78, paragraph C, Page 2.)*

Block 7A. - Enter the FY for the first obligation of AID funds for the project.
Block 7B. - Enter the quarter of FY for the first AID funds obligation.
Block 7C. - Enter the FY for the last AID funds obligations.

Block 8 - Enter the amounts from the 'Summary Cost Estimates' and 'Financial Table' of the Project Data Sheet.
NOTE: The L/C column must show the estimated U.S. dollars to be used for the financing of local costs by AID on the lines corresponding to AID.

Block 9 - Enter the amounts and details from the Project Data Sheet section reflecting the estimated rate of use of AID funds.
Block 9A. - Use the Alpha Code. *(See Handbook 3, Appendix 5A, Table 2, Page 2 for guidance.)*
Blocks 9B., C1. & C2. - See Handbook 3, Appendix 5B for guidance. The total of columns 1 and 2 of F must equal the AID appropriated funds total of 8G.

Blocks 10 and 11 - See Handbook 3, Appendix 5B for guidance.

Block 12 - Enter the codes and amounts attributable to each concern for Life of Project. *(See Handbook 3, Appendix 5B, Attachment C for coding.)*

Block 13 - Enter the Project Purpose as it appears in the approved PID Facesheet, or as modified during the project development and reflected in the Project Data Sheet.

Block 14 - Enter the evaluation(s) scheduled in this section.

Block 15 - Enter the information related to the procurement taken from the appropriate section of the Project Data Sheet.

Block 16 - This block is to be used with requests for the amendment of a project.

Block 17 - This block is to be signed and dated by the Authorizing Official of the originating office. The Project Data Sheet will not be reviewed if this Data Sheet is not signed and dated. Do not initial.

Block 18 - This date is to be provided by the office or bureau responsible for the processing of the document covered by this Data Sheet.

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USAID - BOLIVIA
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Casilla 673
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PROJECT AUTHORIZATION

Name of Country: Bolivia

Name of Project: Market Town Capital Formation

Number of Project: 511-0573

Number of Loan: 511-T-071

1. Pursuant to Section 103 of the Foreign Assistance Act of 1961, as amended, I hereby authorize the Market Town Capital Formation Project for Bolivia, involving planned obligations of not to exceed Fifteen Million United States Dollars (US$15,000,000) in loan funds (the "Loan") and Three Million Five Hundred Thousand United States Dollars (US$3,500,000) in grant funds (the "Grant") (the Loan and Grant together constitute the "Assistance") over a five year period from the date of authorization, subject to the availability of funds in accordance with the A.I.D./OYB allotment process, to help in financing foreign exchange and local currency costs for the project. The planned life of project is five years from the date of initial obligation.

2. The project ("Project") will provide credits to help develop and finance agro-industrial and service industry investments in secondary areas in Bolivia. It will strengthen intermediate credit institutions through which the credit will flow, strengthen the decentralized investment financing system already established, and develop equity participation schemes to generate resources within the secondary areas themselves for local investment.

3. The Project Agreement(s), which may be negotiated and executed by the officer to whom such authority is delegated in accordance with A.I.D. regulations and Delegations of Authority, shall be subject to the following essential terms and covenants and major conditions, together with such other terms and conditions as A.I.D. may deem appropriate.

a. Source and Origin of Goods and Nationality of Suppliers (Loan)

Commodities financed by A.I.D. under the Loan shall have their source and origin in the United States, Bolivia, or in countries included in A.I.D. Geographic Code 941 except as A.I.D. may otherwise agree in writing. Except for ocean shipping, the suppliers of commodities or services shall have the United States, Bolivia, or countries included in A.I.D. Geographic Code 941 as their place of nationality, except as A.I.D. may otherwise agree in writing. Ocean shipping financed by A.I.D. under the Loan shall, except as A.I.D. may otherwise agree in writing, be financed only on flag vessels of the United States, Bolivia, or any country included in A.I.D. Geographic Code 941.

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b. Source and Origin of Goods and Services (Grant).

Commodities financed by A.I.D. under the Grant shall have their source and origin in Bolivia or the United States, except as A.I.D. may otherwise agree in writing. Except for ocean shipping, the suppliers of commodities or services shall have Bolivia or the United States as their place of nationality, except as A.I.D. may otherwise agree in writing. Ocean shipping financed by A.I.D. under the Grant shall, except as A.I.D. may otherwise agree in writing, be financed only on flag vessels of the United States.

c. Conditions Precedent to First Disbursement of Assistance

Prior to the first disbursement of the Assistance, or to the issuance by A.I.D. of documentation pursuant to which disbursement will be made, Bolivia will, except as A.I.D. may otherwise agree in writing, furnish to A.I.D. in form and substance satisfactory to A.I.D.:

(i) an opinion of the Attorney General of Bolivia or other counsel acceptable to A.I.D. that this Agreement has been duly authorized and/or ratified by, and executed on behalf of, Bolivia and that it constitutes a valid and legally binding obligation of Bolivia in accordance with all of its terms;

(ii) a statement of the names of the persons holding or acting in the office of Bolivia specified in Section 9.2 of the Agreement, and a specimen signature of each person specified in such statement.

d. Conditions Precedent to First Disbursement of Loan Funds

Prior to the first disbursement of Loan funds, or to the issuance by A.I.D. of documentation pursuant to which disbursement will be made, Bolivia will, except as A.I.D. may otherwise agree in writing, furnish to A.I.LD. in form and substance satisfactory to A.I.D.:

(i) Agreements between the Project Coordination Unit (PCU) and each Unidad Crediticio-Financiera (UCF), specifying the terms and conditions for the UCF's participation in the UCF Credit Fund (refinancing facility), including sub-project criteria, loan approval procedures, provision that all loan reflows, including reflows from the Departmental Development Corporations (DDCs) Project (511-W-065), shall be deposited in the UCF Credit Fund, and UCF implementation monitoring responsibilities.

(ii) Evidence of the DDCs' commitment to provide necessary operational cost support to the UCFs for as long as necessary during the life of the project.

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(iii) An agreement form, which will be executed by the PCU the PL 480 Secretariat, and ICIs participating in the Project, containing the terms and conditions for refinancing under the UCF Credit Fund, and including the procurement requirements which will be incumbent on ICI and sub-borrower procurement.

(iv) An agreement between the PCU and the PL-480 Secretariat governing the terms and conditions of the PL-480 Secretariat's management of funds in the UCF Credit Fund.

(v) Sub-loan application and approval forms, along with a manual describing the steps in the sub-loan approval and financing process. The approval forms will include the language about pesticides and waste disposal drafted by the Regional Environmental Officer.

David Cohen

David A. Cohen
Mission Director
USAID/Bolivia

7-21-86
Date

Drafted by: GC/LAC:MRiedy

Clearances:

PRD:JFasullo ______ date 7/18/86
CONT:SGLiapis ______ date 7/18/86
PD&I:RJAsselin (in draft) date 7/13/86
PD&I:CAMillikan (in draft) date 7/13/86

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Market Town Capital Formation PP

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* The following documents related to the MTCF Project are available in the USAID/Bolivia Mission:

A. Technical Analysis } Prepared by the DAI Consultants during the Intensive Review.
B. Institutional Analysis }
C. Description of the PRE/W-sponsored Loan Guarantee Fund
D. Description of how the Small Business Investment Corporations model might work in Bolivia

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GLOSSARY

LIST OF ACRONYMS/DEFINITIONS/TRANSLATIONS

A&A Project	Agribusiness and Artisanry Project
ADN	Democratic National Action Party: The political party of ex-President Hugo Banzer.
BCB	Central Bank of Bolivia
Campesino	Peasant, small farmer
CUMAT	"Capacidad de Uso Mayor de la Tierra" - Private Land Use Survey Bureau
DDC	Departmental Development Corporation
Departments	Bolivian states, such as Florida in the U.S.A.
EOPS	End of Project Status
FX	Foreign Exchange
GOB	Government of Bolivia
ICI	Intermediate Credit Institution
IEE	Initial Environmental Examination
IFB	Invitation for Bids
L/C	Local Currency (Bolivian Pesos)
LOP	Life of Project
MNR	National Revolutionary Movement: The political party of President Paz.
MPC	Ministry of Planning and Coordination
MTCF	Market Town Capital Formation Project
NEP	New Economic Program. President Paz' August 1985 Economic Recovery Measures
PAPO	Private Agricultural Producer Organization
PIO/T	Project Implementation Order/Technical Assistance
PL-480	United States Public Law 480
PP	Project Paper
PVO	Private Voluntary Organization
RDP/DDC Project	USAID Rural Development Planning/Departmental Development Corporations Project (511-0471 Grant/511-T-064 and 511-W-065 Loan)
RFP	Request for Proposals
SBIC	Small Business Investment Company
TA	Technical Assistance
UCF	"Unidad Crediticio-Financiera" ; a financial institution created under the RDP/DDC Project within each Departmental Development Corporation (except Pando).
USAID/AID	United States Agency for International Development

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MARKET TOWN CAPITAL FORMATION PROJECT

I. SUMMARY

The Market Town Capital Formation (MTCF) Project will build on the record of achievement obtained by Bolivia's decentralized Unidades Crediticio-Financieras (UCFs) in promoting and financing private sector investments in rural areas under the USAID Departmental Development Corporations (DDC) Project (0571-0471). The UCFs are investment promotion entities established by Bolivia's regional Departmental Development Corporations to help develop private sector investment projects for financing. Eight UCFs have been established over the last three years; their activities have led to investments totalling over $15,973,000, mostly in rural areas. By sponsoring the development and financing of new private sector investments in Bolivia's secondary market towns, the Market Town Capital Formation Project will provide tangible support for the Government of Bolivia's (GOB) economic recovery program, which relies heavily on spurring greater agricultural sector production as the means for increasing national output and incomes.

Bolivia is just beginning to recover from a prolonged period of economic stagnation and decline, during which the country experienced the world's highest rate of inflation (over 23,000 percent) and a near cessation of productive economic activity. The Government of Victor Paz Estenssoro, which took office on August 6, 1985, put sweeping economic recovery measures in place three weeks after its inauguration. These measures were designed to slow down inflation by reducing government deficits and, over time, to reorder economic activity fundamentally by eliminating excessive government interference in the economy and letting market forces work. For the recovery program to succeed, increased private sector investment, especially in the agricultural sector, is required.

Until recently, most investment has occurred in Bolivia's three major commercial centers (La Paz, Cochabamba and Santa Cruz). The MTCF Project will help promote investment in and around other regional capitals and secondary market towns. By doing so, profitable, socio-economically beneficial development opportunities which have often been neglected will be exploited. In the case of agro-industrial subprojects, in which most investment will be concentrated, small farm producers and residents of rural areas will be able to benefit more directly (from the improved markets for their products) than has been possible through investments in Bolivia's three major cities.

Market town investment is currently constrained by a lack of information on factors influencing potential investment opportunities, investors' need for technical assistance in project design and analysis, and a shortage of long-term credit. The Project will address these constraints a) by developing further the investment promotion capabilities of the UCFs, which will continue to function as intermediaries between interested investors and intermediate credit institutions (ICIs), mostly commercial banks, b) through special investment research and promotion efforts targeted at selected priority market towns, and c) by creating a permanent fund to finance market town investments.

The purpose of the Project is to increase the level of productive private sector investment in Bolivia's rural and semi-urban areas. At the end of the five-year project: a) rural investments totalling at least $37.5 million will have been made - many of them in up to ten priority market towns to be selected by the UCFs; b) the eight UCFs will be fully operational and actively involved in the promotion of private sector investment in their regions; and c) a permanent fund for financing UCF-promoted investments through the banking system will be operating. This will be accomplished through three project components: further development of the UCF-based decentralized investment financing system, market town investment promotion, and institution building focused on the UCFs and the Project Coordination Unit (PCU) of the Ministry of Planning and Coordination - which will manage the MTCF credit funds and coordinate assistance to the UCFs.

The Project budget totals $41.9 million, of which $3.5 million in grant funds and $15 million in loan funds will come from AID. The summary project budget is as follows (US$000):

	AID Grant	AID Loan	GOB	Bolivian Private Sector	Total
Investment Financing	-	14,500	6,500	16,500	37,500
Technical Assistance	1,530	-	-	-	1,530
Training	195	-		-	195
Project Support Costs	1,455	-	400	-	1,855
Evaluations and Audits	171	-	-	-	171
Contingencies	149	500		-	649
	3,500	15,000	6,900	16,500	41,900

II. PROJECT BACKGROUND AND RATIONALE

A. Country Setting

1. Political and Economic Environment of the Proposed Project

After nearly eighteen years of almost uninterrupted military rule, Bolivia returned to constitutional democratic government in October 1982. The country was suffering from a deepening economic crisis, but the mood was hopeful that the new administration of Hernan Siles Zuazo would resolve the nation's economic and political problems.

Unfortunately, the Siles administration was unable to rule the country effectively. The political coalition which brought Siles to power began to dissolve almost from the moment his Government was inaugurated. His government was unable either to stand up to the pressures exerted by various unions and other interest groups, or to implement meaningful economic recovery measures.

Upon assuming office in October 1982, the Siles Government confronted an economic crisis of great magnitude that had caused the resignation of the military government which preceded it. The economic situation resulted from poorly conceived investments in the public sector, excessive overseas borrowing, and unsound economic policies (1971-1978). External debt servicing requirements mounted when glowing predictions of increased Bolivian mineral and hydrocarbon export receipts did not materialize. When international bank credits dried up in the late 1970's, the GOB borrowed from other Latin American nations to cover rapidly expanding fiscal deficits. Government-to-government concessional credits were largely cut off in 1980 following the Garcia Meza coup. This situation led to growing fiscal and balance-of-payments deficits and the beginning of an unprecedented inflationary spiral.

Constant political instability limited the Siles Government's ability to develop a comprehensive and sustained response to the nation's economic problems. From October 1982 to August 1985, the GOB adopted six separate "packages" of economic reforms. Some of these were more meaningful than others, but strongly negative political reaction to all of the economic packages resulted in vacillation by the Siles administration and a lack of follow-up actions. The net effect of these isolated attempts at economic reform was to exacerbate the nation's economic difficulties. Bolivia experienced negative GDP growth rates of -6.6% in 1982, -7.3% in 1983, -3.1% in 1984, and -2.1% in 1985. Inflation reached a twelve-month rate of more than 23,000% through September 1985.

In this chaotic environment, the nation's economy worsened sharply, and dissatisfaction became widespread. Finally, in December 1984, faced with a situation that he found threatening and unmanageable, President Siles made the decision to call national and municipal elections for the summer of 1985, one year earlier than originally planned. The transfer of power (the first in Bolivian history between two democratically elected political parties) to the newly elected MNR Government of Victor Paz Estenssoro took place on August 6, 1985.

The economic situation faced by the Paz Government upon taking office called for drastic actions to restore public confidence and bring about economic stabilization and recovery. Reform measures were essential to reduce the fiscal deficit, to adjust the exchange rate, and to expand the productivity of the economy. To be in a position to implement the required economic measures, the Paz Government knew that it would have to regain the political power the Central Government had lost under President Siles.

Sweeping economic recovery measures were enacted on August 29, 1985, just three weeks after President Paz Estenssoro assumed power. The measures were designed to halt hyperinflation, provide free-market incentives for the reactivation of domestic production, eliminate price distortions in the economy, restructure state enterprises, and provide the economic basis upon which the Paz Government would be able to govern the country. The far-reaching measures (1) devalued the peso by 93.3% and implemented a flexible mechanism to allow the exchange rate to be adjusted in accordance with market forces, (2) eliminated all price controls (except those on petroleum products--which were raised to world prices--and utility services), (3) froze public sector salaries, (4) provided for free negotiation of private sector wages, (5) abolished interest rate controls, and (6) provided for the decentralization of Bolivia's main state enterprises (COMIBOL, the state mining corporation, YPFB, the state petroleum company, and CBF, the state manufacturing conglomerate).

The Paz Government's economic measures were a bold first step, more comprehensive and farther reaching than had been expected or believed politically possible. In order to help provide his Government with the political support it needed to weather initial criticism of its "New Economic Program" (NEP), President Paz negotiated an historic "Pact for Democracy" in October 1985 with General Hugo Banzer Suarez (former President of Bolivia and head of the nation's second largest political party--the ADN). Under this Pact, the ADN and MNR parties, which together hold a significant majority in Congress, agreed to cooperate in areas of mutual interest (most notably economic recovery and narcotics control) for the benefit of the country. This "Pact" has held, and the Paz Government has been able to implement the first steps in its recovery program successfully.

The initial results of the NEP have been impressive. Inflation has been virtually halted in the wake of effective government deficit control measures. Central government employment has begun to be reduced. The exchange rate has stabilized. Previous distortions in economic activity, caused by the GOB's counterproductive subsidization policies, and rampant inflation have all but disappeared, and economic activity is slowly returning to normal. The IMF, World Bank, IDB, and bilateral donors have responded to this promising situation with negotiations to increase the flow of concessional assistance to Bolivia. An IMF Stanby Agreement was reached in June 1986.

If successfully implemented, the GOB's New Economic Program will achieve a major reduction in the fiscal deficit, reduce the need for large-scale monetary emissions and, consequently, lower the rate of inflation and stimulate balance-of-payments recovery. The Program paves the way for a more rational allocation of domestic resources and more equitable growth through the activities of a more vibrant private sector and a more efficient public sector. To be successful, however, it is clear that Bolivia must go through a painful adjustment period during which Central Government expenditures will have to be continually controlled and private sector economic activity will have to be stimulated - all this in an economic environment which had been long dominated by government intervention.

The effects of Bolivia's economic crisis will not disappear quickly. Unemployment due to public sector lay-offs will be a problem, and aggregate demand will be sluggish as the economy adjusts to new circumstances. The Paz Government will have to continue the economic reforms begun last October, and private sector investment and production will have to respond to the new opportunities the NEP provides. The GOB will require technical assistance in policy development and implementation, and financial assistance for increased private sector investment. The Paz Government is determined to make its economic stabilization program work. If the effort fails, Bolivia's chances of maintaining democratic government would be very seriously threatened. The proposed project is designed to provide some of the financing for private sector investment needed to end the current economic recession and help make the NEP successful.

2. <u>The Need for Investment in Market Towns</u>

Most of Bolivia's private investment has occurred in the country's three major commercial centers: La Paz, Cochabamba and Santa Cruz. This concentration of investment is explained by the availability of market outlets, labor, and investment infrastructure in these areas, and also by the natural tendency of Bolivian investors in the past to locate their enterprises in the country's regional capitals. Significant investment in and around these commercial centers will continue, but it is important that investment also occur in the secondary cities and towns to stimulate the exploitation of the significant development opportunities available throughout the country.

Expanding the loci of investment away from Bolivia's main cities will put enterprises, especially agro-industrial ones, closer to sources of raw materials. In many cases, this makes much more sense than hauling unprocessed produce over relatively poor roads to regional capitals where it is processed and then re-transported to national markets. Locating agro-industries in secondary market towns will not only help induce increases in agricultural production around those towns, but it will also lead to the creation of other related industries and commercial enterprises, which together will create jobs and help improve the quality of life in those areas. Less migration from the areas surrounding secondary towns to Bolivia's three main cities will also ease the strain on urban facilities (housing, transportation, utilities) and on the provision of social services, which those municipalities are having more and more problems maintaining at acceptable levels.

With the decline in mining and hydrocarbon export revenues, Bolivia is looking to the agricultural sector to provide future growth and employment. Well-planned agro-industries create increased demand for Bolivian agricultural produce which farmers have shown themselves ready and willing to meet. USAID/Bolivia refers to this approach as a "demand-pull" strategy; that is, the increased demand for primary agricultural products generated by new or expanded agribusiness activity provides an essential stimulus to farmers to increase their production. Phrased another way, increased demand for agricultural produce provides the impetus for raising production and productivity, and leads to higher rural incomes and a better standard of living. Locating enterprises closer to the sources of raw material production will increase the opportunities for applying the "demand pull" principle, help ensure that the rural farmers producing materials for agribusinesses benefit more directly and fully, and provide more opportunities for ownership of agro-industrial concerns by the residents of rural areas themselves.

By not having actively promoted agro-industrial investment outside of the principal cities, Bolivia has not been able to take full advantage of the opportunities available for development within the agricultural sector. Failure to invest in secondary commercial centers means that market linkages are not being developed between rural producers and processors, or with suppliers of production inputs. The effects of this failure to exploit available development opportunities are less national production than possible, less employment generation than would otherwise be the case, lower exports of non-traditional products, and slower growth in national income.

B. Problems the Project Will Address

In addition to the traditional constraints to investment present in the Bolivian economy - such as transportation difficulties and the limited size of internal markets - private sector investment in secondary market towns is hampered by a) lack of information on markets, the availability of raw materials, natural resource factors, processing technology and labor force characteristics, b) limited private sector capacity to investigate, plan and implement investment projects, and c) a lack of credit to help finance investments.

Probably the single most important factor inhibiting investment in secondary towns, whether by rural residents themselves or by more traditional entrepreneurs looking for new ventures outside of the regional capitals in which they live, is the lack of information needed to develop new enterprises. Basic information concerning agricultural production levels in those areas, natural resource endowments, infrastructural advantages and constraints, and, most importantly, markets which can be served from secondary cities, needs to be developed in a manner which is useful to investors.

Closely related to this constraint is the limited ability of private sector investors - again whether they are groups of campesinos or urban entrepreneurs - to design and plan feasible projects on the basis of the information they can gather. Too often, "good ideas" are attempted with inadequate forward planning, and little or no analysis of factors which can mean the difference between success or failure.

The final constraint - inadequate credit - is really two problems: 1) the current paucity of savings deposited in financial institutions which can be made available to finance long-term lending, and 2) the focus of most commercial banks on lending in urban areas (where physical collateral is more readily accessible). Bolivia and other developing countries have traditionally relied on overseas sources for the financing of long-term investment. Central Bank-managed rediscounting lines, set up during the last 15 years under donor loans to Bolivia, have been used as the primary source of financing through the banking sector for long-term investment. These rediscounting lines have typically refinanced 80% to 100% of Intermediate Credit Institution (ICI) investment loans to both public and private sector entities. This has allowed Bolivia's commercial banks to concentrate the use of their deposits in short-term commercial lending, which is often more profitable and perceived by the banks as more secure.

The Central Bank of Bolivia's (BCB's) rediscounting lines were severely decapitalized between 1983 to 1985 due to the Siles Government's unfortunate policy of charging interest rates much lower than the rate of inflation. This lack of funds available for rediscounting loans coincides with currently very low levels of deposits in financial institutions which have not been able to attract deposits at levels reached prior to the period of hyperinflation, both because of the lower real income levels of urban residents during the current recession, and due to scepticism regarding the security of funds placed in bank accounts. Given these factors, banks and other ICIs cannot presently finance more long-term investment loans.

There is also a need to induce banks to increase their lending for projects located outside of Bolivia's three major commercial centers. Their outreach capacity - both in terms of branch offices and personnel - must be further developed if they are to increase lending in Bolivia's secondary market towns. The USAID-financed Departmental Development Corporations Project (511-T-064 - 511-W-065) has been successful in initiating the expansion of this outreach capacity, but more remains to be done as banking operations return to normal in the months ahead.

C. Project Strategy

The proposed Project will adopt a three-fold strategy in providing the assistance necessary to address the factors identified above which are impeding increased private sector investment in Bolivia's secondary market towns. It will build on the initial successes of the Unidades Crediticio-Financieras (UCFs) set up under the DDC Project. It will actively investigate and promote investment opportunities in secondary market towns, working closely with interested investors. Lastly, it will help capitalize a permanent GOB fund for rediscounting ICI investment loans arranged with the assistance of the UCFs.

1. The DDC Project

The Rural Development Planning (RDP) Project (511-0471), a grant project signed in August 1978, and the Departmental Development Corporations Project (511-T-064 and 511-W-065), a loan project signed in September 1979, formed the basis of an integrated effort* to improve the planning and project promotion capacities of the Departmental Development Corporations (DDCs). Under the grant project, $4.2 million was budgeted for technical assistance to improve DDC capacities in planning and promoting development activities. Under the loan, $10 million was lent to the GOB to refinance private sector investments identified and developed by the DDCs.

The DDCs were created approximately twenty years ago in each of Bolivia's nine departments to promote urban and rural development. Initially, they concentrated on urban public works projects, but with AID encouragement and assistance they began to focus on private agro-industrial activities during the last few years.

Both AID DDC projects were suspended in 1980 for political reasons. They were redesigned and reactivated in 1983 to focus on the promotion of private sector investment in productive agro-industrial enterprises. Prior to 1983, the RDP project supplied tecnical assistance to the DDCs with mixed results, and, by early 1984, planning departments had been created, planning staff had been trained, and regional plans had been developed in most of the DDCs.

Under the Loan Agreement for the DDC Project, signed September 20, 1979, each DDC was to set up an office for the supervision and coordination of activities related to the extension of DDC-sponsored or planned activities. These outreach offices were initially expected to be the promotional and financial arms for all activities funded by the DDC Project, but it had not yet been decided to focus exclusively on private sector investments. After the project's suspension in 1980, and during its subsequent reorganization, it became clear that these promotional offices would have to be organized so that they could work effectively with private sector investors and commercial banks. Therefore, in Implementation Letter 23 dated May 23, 1984, the creation of the Unidades Crediticio-Financieras (UCFs) was approved. These new entities within the DDCs were seen as counterparts to the DDC investment planning and promotional offices, and were created especially to help channel the loan resources of the DDC Project and, in some cases, the investment funds of the parent DDCs. The new entities were to be either independent or semi-autonomous organizations, with a certain freedom of decision-making allowing them to deal effectively with private banks, which were to be the final lenders under the DDC Project.

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* Known as "the DDC Project".

During the last two years, eight UCFs have been established. They have worked in conjuction with DDC planning departments (with varying degress of success) and ICIs to facilitate financing for private sector investments, using funds from the DDC Project and the PL-480 Title III Program in rediscounting arrangements. Methodologies for the identification, analysis, financing, monitoring and evaluation of investment projects have been established, and 103 agro-industrial, artisanry and agricultural production subprojects have been initiated with project funds as of June 30, 1986. The UCFs have focused on identifying new investment opportunities and providing technical assistance and training to fledgling entrepreneurs, cooperatives, and small businesses that lack experience in dealing with ICIs. At the same time, ICIs have come to rely on the UCFs to help identify and develop lending opportunities in semi-urban and rural areas.

An evaluation of the RDP/DDC projects by Development Alternatives, Inc. (DAI) in August 1985 concluded: "USAID, the DDCs and the private sector have an excellent funding mechanism to reach the target population. The evaluation team therefore recommends that USAID consider a DDC follow-on project." The team also emphasized that a future project should strengthen the UCFs, more fully utilize the capacity of participating ICIs, and concentrate on financing and implementating subprojects in rural areas by further developing cooperation among the UCFs, ICIs, and investors - both urban-based and rural.

A promising opportunity exists at this time to develop further, and make more extensive use of, the UCF-based investment promotion model initiated under the DDC Project. The UCFs have significant experience in promoting investments through cooperation with potential investors and ICIs. The Paz Goverment's economic recovery policies strongly favor private sector investment and stress the decentralization of investment and production. Until now, the UCFs have worked principally in the major cities of each department and their outlying areas. However, as the UCFs have developed their administrative and promotional capabilities, they have begun to expand their outreach, and have identified new investment opportunities in secondary cities and rural areas. These can be developed by them with the further technical assistance, training, and credit resources to be provided under this Project.

The Project will promote the role of the UCFs as intermediaries between investors and ICIs rather than try to mold them into regional development banks, as was originally considered. Since they are public institutions linked to the DDCs, an independent banking role would not be appropriate or practical in most cases.* UCFs cannot mobilize lending resources the way ICIs can, and they should not try to compete with commercial banks. Furthermore, Bolivia can ill afford to establish eight or nine regional development banks. Rather, the UCFs' role as investment promotion agencies will be further strengthened. They will assist potential investors to develop bankable projects, while cooperating with ICIs as these expand their development lending portfolios. One of the ways the UCFs will do this under the proposed project will be to work more closely with producer organizations and PVOs, which represent groups of potential rural-based investors.

2. Promotion of Investment in Priority Market Towns

To date, the UCFs have tended to be relatively passive in their investment promotion activities. They usually wait for investors to come to them with investment ideas, rather than actively pursue the development of proposals they feel will have potentially beneficial socio-economic impacts. This has been possible - and understandable - because the UCFs are relatively new institutions, and numerous profitable and socio-economically beneficial investments exist relative to the low levels of credit available to finance them.

In order to ensure that the funds to be made available under the MTCF Project are used to finance those investments judged to be most promising in terms of their socio-economic impact, and to pursue the MTCF Project's strategy of financing more investment in secondary market towns for the reasons explained in Section II A.2., the UCFs will now begin actively to investigate and promote investments in selected priority market towns. This does not mean that funds will no longer be available to finance investments which do not happen to be located in priority market towns identified by the UCFs. On the contrary, the UCFs will still support private sector investors' initiatives in identifying good projects wherever they may be located (outside of La Paz, Cochabamba and Santa Cruz.) However, given the lack of information regarding factors influencing the development of projects in secondary market towns, and investors' need for assistance in designing projects in those areas, special efforts will be made by the UCFs to provide the necessary information on specific towns to interested investors. Also, a percentage of UCF Credit Fund resources (initially 20%) will be reserved for investments in priority market towns.

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* Alone among the current eight UCFs, the Santa Cruz UCF (BANDESA) is being developed as a mixed interest banking entity. For various reasons - including the fact that the UCF has strong local private sector support and that the Santa Cruz DDC is anxious to channel some of its profits through the UCF to finance investments - a regional bank may succeed there. However, the MTCF Project will only assist BANDESA in its role as an investment promotion entity.

The program to be implemented by the UCFs will include three steps: (1) priority market town identification and selection (on the basis of the town's existing infrastructure base, labor availability and characteristics, location relative to markets, natural resource and agricultural production base, and investor interest); (2) investigation of the main factors important to increased investment; and (3) investment promotion and development. During all three phases, the UCFs will work closely with both interested investors and ICIs to help ensure that their efforts are as productive as possible.

A possible approach to the UCFs' role in promoting investments in priority market towns is a method frequently used in the United States. When the advantages of a particular place have been clearly identified, they are widely advertised -by radio, magazines, newspapers, speeches and direct approaches to potential investor groups. In addition, the ways a new investor can profit from association with the promotion effort are emphasized, in this case help with studies, access to credit, and so forth. However designed, these promotional efforts will be addressed to resident groups, as well as to potential investors from outside the area.

The contracted T.A. team will hold seminars to coach the UCFs in promotional activities. Follow-on workshops will assess the promotional activities carried out, and permit interchanges of ideas among UCF staff working on the priority town efforts.

3. Creation of a Central Refinancing Fund

The Project will create a new fund to refinance UCF-developed investment projects. This central fund will include the reflows from the \$17.4 million previously provided under the DDC loan and PL-480 Title III program, plus \$ 26 million in new resources provided under the Market Town Project's loan component and the PL-480 Title III Program. This central fund (the UCF Credit Fund) will provide a permanent, revolving source of financing for loans for private sector investments in secondary towns, which will help fill the current gap in investment credit availability. The Fund will be managed cooperatively by the Project Coordinating Unit (PCU) and the PL 480 Secretariat, as DDC Project loan funds have been. As soon as feasible during the Project, a decision will be taken on whether to institutionalize the UCF Credit Fund within the PCU or fold it into a new GOB refinancing entity, if a strong one emerges.

D. Conformance with Host Country, AID and Other Donor Objectives.

1. Host Country Objectives

The Paz Government's highest priority is the success of the NEP. The NEP is designed to restructure the Bolivian economy fundamentally by providing the conditions for increased private sector investment and production, and relying on the development of the agricultural sector to complement the exploitation of mineral and hydrocarbon resources, both depressed sectors. The proposed project will help facilitate the GOB's long-range development plans by promoting decentralized private sector investment in agro-industry and agricultural production.

2. AID Country Development Strategy

USAID/Bolivia's development strategy is focused on the objectives of (1) short-term economic stabilization, (2) basic structural and policy reforms leading to long-term sustained economic growth, and (3) a wider sharing of the benefits of growth through increased farmer production, expanded employment opportunities and higher real incomes. To achieve these objectives, USAID/Bolivia's program emphasizes the promotion and financing of private sector investments in agro-industry which support, and help create markets for, growing domestic agricultural production, and thus increase rural incomes. The Market Town Capital Formation Project is completely consistent with this strategy.

3. Other Donor Objectives

Bolivia's other donors have objectives similar to AID's, and are also increasing their assistance programs. The proposed project will help develop a credit program to finance private sector investments in rural areas, a program to which other donors will be able to contribute.

III. PROJECT DESCRIPTION

A. Project Goal and Purpose

The goal of the Project is to achieve a higher standard of living, through increased employment and production, in Bolivia's rural and semi-urban areas. The purpose of the project is to increase the level of productive private sector investment in Bolivia's rural and semi-urban areas.

The Project's goal fits well into the USAID Mission's overall development strategy - the strengthening of the Bolivian economy through private sector growth. However, certain conditions must be obtained to permit realization of the Project's goal and purpose.

The principal assumption made by project planners is that the present state of economic stability in Bolivia, brought about largely by the GOB economic program of August 1985, will continue. Other assumptions are that political stability will continue, along with public confidence in, and support for, democratic government. An additional assumption is that present GOB policies encouraging private sector activities will remain in force and be strengthened. A final assumption is that natural disasters, like those of the last few years ("El Nino" and the 1986 flooding of Lake Titicaca), will not reoccur.

B. End of Project Status (EOPS) and Project Outputs

At the Project's end, that is by late FY 1991, the following conditions will exist.

1. Private sector investments in productive rural enterprises, notably in 5 to 10 priority market towns, will have increased significantly.

2. Intermediate credit institutions will be performing more effectively and their development loan portfolios will have increased substantially.

3. The UCFs will be working effectively as investment promotion entities.

4. A UCF Credit Fund will be established and functioning.

The Project will have four major outputs:

1. Productive private sector investments totalling approximately $37.5 million.

2. A functioning UCF Credit Fund.

3. Improved rural and secondary town lending operations for up to eight ICI's.

4. Eight fully operational UCFs.

The Project will have three major components: the development of a decentralized investment financing system, investment promotion, and improvement of the capabilities of the institutions involved in the UCF investment financing system (the UCFs, the PCU, and participating ICIs).

A permanent, centralized UCF Credit Fund will be established, composed of $17.4 million in DDC Project reflows and $26 million in new funds from AID ($14.5 million) and the PL 480 Title III Program ($11.5 million*.) The Fund will be used to refinance ICI loans made for rural private sector investments which the UCFs help to develop. Socio-economically beneficial private sector investments with a total value of approximately $37.5 million will be initiated through the first round of refinancing transactions, based on the new MTCF Project funds alone**.

At least five, and probably up to 10, priority market towns will be selected by the UCFs, for which they will undertake market studies and promotional efforts designed to increase investment. This will be done with the assistance of project-financed experts, and - as appropriate - with the cooperation of intermediaries, such as private agricultural producer associations (PAPOs) and private voluntary organizations (PVOs) representing groups of rural investors.

The institution-building focus of the Project will be on developing the role of the UCFs as investment promotion entities and intermediaries between potential investors and ICIs interested in expanding their rural investment loan portfolios. Through technical assistance and training, the UCFs will improve their capabilities a) to assist investors (whether individuals or groups) in project development and in the management of their enterprises, b) to cooperate with ICIs in the financing of loans to private sector investors in rural areas, and c) to investigate investment possibilities in priority market towns.

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* $6.5 million under the MTCF Project and $5.0 million under the USAID PAPO - Private Agricultural Producer Organizations Project (511-0589).

** Assuming 30% equity investment and an average of 20% of each loan financed by ICI deposits.

C. Project Inputs

There are four major project input categories, whose costs total $41.9 million. Of this sum, AID will contribute $18.5 million ($15 million loan and $3.5 million grant), and Bolivia will contribute $23.4 million ($16.5 million invested by the private sector and $6.9 million under the PL 480 Title III Program and by the DDCs).

The four project input categories are:

1. Investment Financing: This will be shared among AID ($14.5 million), the GOB ($6.5 million), and the private sector ($16.5 million).

2. Technical Assistance/Training: This component includes funding for a) three long-term advisors in the fields of investment promotion, small enterprise development, and marketing, b) 48 person-months of short-term assistance, and c) in-country seminars and overseas training. ($1,725,000 from AID).

3. Project Support Costs: This component will provide necessary salary and commodity support to the UCFs and the PCU, particularly in the beginning phases of the Project (3 years). It will also fund investment research in priority market towns and an AID Project Coordinator. AID will provide $1,455 million to be complemented by $400,000 from the GOB.

4. Evaluations/Audits: Yearly local audits and the two project evaluations will be financed by AID with $171,000 in grant funds. Contingency funds totalling $649,000 are also budgeted from AID.

D. Project Components

The Market Town Capital Formation Project will have three components:

* Improvement of the UCF-based decentralized investment financing system.

* Investment promotion.

* Institution building.

Activities under these components will create the base for a strong investment promotion and financing network serving the areas outside Bolivia's traditional commercial centers of La Paz, Cochabamba, and Santa Cruz.

1. Development of Decentralized Investment Financing System

a. Objectives

The objective of this component is to improve the UCF-based investment financing system already created under the DDC Project. Under this system, eight UCFs were established (one in each Department but Pando) and a central coordinating entity, the "Project Coordination Unit" or PCU, was set up in La Paz to approve, monitor, and evaluate project activities. Within the MTCF Project, the strengthened investment financing system will: 1) increase the resources available for refinancing ICI loans for private investment projects in rural areas; 2) ensure that selection criteria are strictly applied by the UCFs and the PCU so that refinanced subprojects have a significant socio-economic impact; 3) facilitate decentralized credit approval by the UCFs and ICIs; and 4) set up the UCF Credit Fund.

b. UCF Credit Fund Establishment and Operating Principles

The UCF Credit Fund will be established as one centralized fund. Under the DDC Project, resources were provided to set up separate refinancing funds in each UCF. This plan is being modified since the GOB/USAID perspective on the role of UCFs has evolved over the past three years.

Rather than attempt to establish eight regional development "banks," the UCFs will be further developed as investment promotion entities. As such, they will not actually handle funds. Rather, disbursements and repayments under approved loans will be made directly between the centralized UCF Credit Fund and the ICIs making the loans. Centralization of UCF Credit Fund resources - as opposed to loan-by-loan decision-making authority which will eventually rest with the UCFs and the ICIs - will also allow the GOB to allocate funds among UCFs more rationally as conditions change over time; i.e. in accordance with UCF performance and investment possibilities in different geographic departments.

The UCF Credit Fund will be managed jointly by the PCU and the PL-480 Secretariat for at least two years, after which it will be permanently institutionalized within the PCU or set up as one refinancing facility of a new development lending entity. The choice will be up to the GOB, which will be considering various institutional alternatives for channelling funds to the private sector through rediscounted ICI loans in the months ahead.

The UCF Credit Fund's central account will be held by the PL 480 Secretariat, until a decision is made regarding its incorporation into a new development lending institution or on the institutionalization of the PCU itself. This arrangement has been made because the Secretariat already possesses the accounting staff to manage disbursements to and from such a fund and, in fact, already operates several refinancing lines with ICIs. Since future PCU management of the UCF Credit Funds is not certain, there is no need to create another loan disbursing mechanism within the PCU. The PCU and the Secretariat will co-manage the Fund by approving subloans, and the Secretariat will act as a disbursing entity for individual subloans.

USAID and the Title III Secretariat will reserve funds annually, based upon approved UCF investment plans and disbursement projections. Funds will be disbursed into the UCF Credit Fund as needed to refinance approved ICI loans. These USAID and PL-480 Secretariat reservations of funds will facilitate PCU/UCF efforts to identify and develop subprojects, since a known amount will be regularly available for disbursement.

The Secretariat will deposit PL 480 Title III funds, and request disbursement of AID funds, to the UCF Credit Fund account - which it will maintain separately from all of its other project accounts - as needed to make disbursements to UCFs under subloans approved by the UCFs and the PCU for refinancing. Disbursements to the UCF Credit Fund over the life of the project will be made on a pari-passu basis, with approximately 31% of the funds ($6.5 million : $21 million) coming from the Title III Program and 69% coming from AID.

AID funds, as well as PL 480 Title III funds, will be disbursed in pesos for onlending through the ICIs to approved borrowers. The borrowers, with the assistance of their ICIs, will make, and pay for, all procurements (whether local or overseas) under their loans, following AID project guidelines (Handbook 1. B., Chapter 19).

Purchases made outside Bolivia will be financed under bank letters of credit opened by the borrowers' ICIs, which will be paid with dollars purchased with subloan proceeds. USAID/B and the PL 480 Secretariat will have ex post facto audit rights to confirm that AID procurement regulations have been followed, but will play no direct role in the procurement process. The need for USAID to oversee directly all dollar procurements under the DDC Project, when it was decided to finance them with direct letters of commitment due to the non-availability of foreign exchange through the banking system, led to delays in the acquisition of equipment, and made excessive demands on the limited USAID staff.

As is customary in Bolivia, under the MTCF Project, the ICIs will bear the full repayment risk for all loans they make which are refinanced. Thus, the ICIs will be responsible for repayments to the UCF Credit Fund according to the schedules set out in each refinancing transaction, whether or not their borrowers pay them on time.

Repayments under DDC Project-financed subloans, and under MTCF Project subloans, will also be deposited in the UCF Credit Fund account and re-lent before new disbursements of PL 480 Title III or AID funds are requested. The spreads due to the PCU and the UCFs will be paid directly by the Secretariat on a monthly basis.

Sixty percent of each loan repayment made to the UCF Credit Fund will be earmarked for use by the UCF which promoted the loan being repaid. In this way, the UCFs will be guaranteed a minimum investment finance planning base, subject only to their continued good performance in promoting investments in their departments (and, of course, the receipt of scheduled repayments). The remaining 40% repaid to the UCF Credit Fund will be allocated by the PCU in accordance with decisions it makes during the annual investment planning exercises described below.

To avoid potential problems with the accumulation of interest on AID funds which might remain in the UCF Credit Fund account a few days before being disbursed to ICIs, the UCF Credit Fund account will be a non-interest bearing account. Title III funds, which are maintained in interest-bearing accounts until they are disbursed, and AID funds, will not be deposited into the UCF Credit Fund until they are required for disbursement to ICIs.

c. Subproject Approval and Financing

1) Subproject Selection Criteria

a) ICI and UCF Responsibilities

The initial responsibility for assessing the financial viability* of proposed subprojects will be left with the ICIs because the ICIs

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* It is assumed that, as part of assessing an investment's overall financial viability, technical and administrative factors will be examined.

will bear full repayment risk. Continued efforts will be made under this Project, and others USAID/Bolivia is sponsoring, to assist ICIs to improve their assessment of long-term loan requests, rather than rely exclusively on collateral provided in making credit decisions.

The responsibility for deciding whether a loan will be refinanced by the UCF Credit Fund (subloan eligibility) will rest with the Government of Bolivia (GOB), whose funds are being used in the transaction. It is the intention of the Project that these refinancing decisions eventually be made by the UCFs, both in order to decentralize and "regionalize" the decision-making process and to expedite it. Until the capabilities of each UCF are further improved, however, limits to refinancing approval authority will be set by the PCU Credit Committee (see below) for the UCFs individually, with refinancing requests above those limits subject to approval by the PCU Credit Committee (see Section III.D.3.b.). For the initial period of the Project, the Credit Committee and USAID will approve all loans. When the Project's guidelines are well understood, and the UCFs and PCU are performing well under them, the decentralization process will begin.

Saying that the ICIs are responsible for assessing the financial viability of subprojects does not mean that the UCFs and the PCU Credit Committee will ignore financial considerations in reviewing subprojects. To the contrary, although they will not be responsible for making a final determination with regard to the profitability of subprojects, they will be expected to examine each subproject financing request carefully to ensure that UCF Credit Fund resources are being used wisely.

b) Basic Eligibility Criteria

All loans refinanced under the MTCF Project must be for the purpose of developing or expanding productive, privately-owned enterprises located either in priority market towns, or in other areas outside of Bolivia's three major urban centers - La Paz, Cochabamba and Santa Cruz. While the latter departmental capitals are excluded entirely from MTCF investment activities, investment in other departmental capitals is acceptable since all, except for Sucre and Tarija, are in fact relatively small, rural market towns. Only up to 50% of local UCF investments will be allowed in Sucre and Tarija.

The AID/PL 480-financed portion of any subloan may not exceed $500,000 without express written approval from the AID Mission, which approval will be given only in exceptional cases. Therefore, projects with an UCF Credit Fund share above $500,000 will only be developed by the UCFs and ICIs after consultation with, and a go ahead from, USAID/Bolivia, in consultation with PL 480 Secretariat staff.

Also, each supported enterprise must have significant forward or backward linkages to the local economy, for example, to agricultural producers (most eligible enterprises are likely to be in the broadly defined area of agribusiness), or to relatively poor groups (the "poor majority") involved in other productive activities.

Other subproject eligibility criteria include the creation of new jobs, directly or indirectly, in rural areas; an increase in production, for local consumption or for export; and of course, financial viability over the long term. A chart that weighs the various criteria via a point system, permitting comparison of benefits among subprojects, is provided in the next section.

Some Bolivian departments are more developed than others, and some have greater resource bases on which to draw. Therefore, although mining activities were originally to be excluded from MTCF Project refinancing, these activities, on the small and medium scale, will be considered for financing in the relatively poor departments of Potosi and Oruro. These mining activities must still meet the financial and socio-economic criteria set for all subprojects approved for refinancing under the Project. However, it is expected that their inclusion will make it possible for a greater flow of loan funds to pass into these two departments than would otherwise be the case, and thus respond to the severe unemployment problems in those areas.

Activities which will be specifically excluded from receiving Project-supported loans are:

. Any publically owned enterprises (although a minority public participation in the ownership of an enterprise may be considered on a very exceptional basis).

. Infrastructure development activities (with a few possible exceptions, for example, a joint wool market constructed by wool producers' groups.)

. Traditional agricultural production activities, including agricultural equipment pools to sell services to third parties.

. Strictly commercial trading activities. (If part of a wider project, such activities may be financed).

. Mining activities, except in Potosi and Oruro.

Working capital loans of less than one year intended to finance the operations of an enterprise during its normal business cycle (i.e. production through marketing) will not be refinanced. The need for such working capital should be highly variable throughout the business cycle and is best satisfied by a line of credit from a commercial bank. This is an area where direct participation by the ICIs should be strongly encouraged. On the other hand, permanent investments in working capital for approved subprojects will be eligible for refinancing.

c) Financial and Socio-Economic Impact Criteria

Within the basic eligibility criteria outlined above, loan requests will be evaluated against a common set of financial and socio-economic impact criteria. These criteria are detailed below, along with a simple methodology to be used in evaluating individual projects and selecting from among possible investment proposals. This methodology is illustrative and a first-level tool only, but should serve as a rough guide to Project benefits and viability.

Each of the criteria included on the Loan Evaluation Form below is assigned a range of appropriate values -- some determined quantitatively and other more subjectively. Each column is assigned either 1, 2, or 3 points, with three being the most positive, and 42 being the maximum number of points obtainable by a subproject.

LOAN EVALUATION FORM

Financial Criteria	1	2	3
Debt/Equity Ratio	<3:1	3:1-2:1	<2:1
Internal Rate of Return	15-20%	20-25%	>25%
Breakeven Point	>75%	50-75%	<50%
Risk	High	Medium	Low
Socio-Economic Impact Criteria			
FX Earning/Savings (1)	<1	1-3	>3
Use of Local Raw Materials	low	medium	high
Replicability/Spin off Potential	low	medium	high
Cost per Direct Job Created	>$10,000	$5-10,000	<$5,000
Local Finan. Participation	<25%	25-40%	>40%
No. Jobs Created	<10	10-20	>20
Increased Income (2)	<1	1-3	>3
Increased Local Prod. (3)	<5	5-8	>8
Location	Sec. City	Mkt. Town	Rural
Multiplier Effect (4)	low	medium	high

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(1) Total FX earnings and savings for 5 years: total investment
(2) Total payroll and local purchases for 5 years: total investment
(3) Total local value added for 5 years: total investment
(4) Includes indirect jobs created, suppliers, local consumers, secondary benefits.

The above form is an analytical tool, not an automatic means of selecting the best possible subprojects to support. It does, however, provide a relatively simple means of comparing projects of different types and of considering those factors which are most important in estimating subproject success, both financial and developmental. Evaluation criteria may be adjusted by the PCU from time to time to reflect project experience, changing government policy or new programming priorities. The important factor is that all potential subprojects be evaluated against the same set of criteria and values.

The form provides a means of considering a subproject at three different levels of specificity. First, the overall score of a project should be reviewed. If a subproject has a total score of less than 20, it is probably not worthwhile to continue the analysis as the subproject is generally too weak. If the total is higher than 20, the evaluator should move on to examine the two different groups of criteria. If the evaluation is particularly weak in the financial area, the proposal should be rejected. It does not matter how great the potential benefits are if the enterprise is unlikely to succeed.

If the evaluation is positive in both areas and scores more than 20, each of the criteria should be considered individually. At this level, a particularly negative indication in any single criteria should be examined carefully to determine if this is sufficient justification to reject the application. Perhaps an adjustment in design could make the subproject's score more positive, for example the use of a more labor-intensive technology or improving the debt/equity ratio by increasing the owner's contribution. These changes should be suggested to the investor. If, at the end, there are no significant problems, the subproject should be considered as a whole, along with others, to determine whether financing it is the best use of limited project resources.

It is possible, using this methodology, to have a standard measure for considering all kinds of investments. While an artisanry project may be relatively stronger in terms of the number and cost of jobs created, an integrated agro-industrial enterprise, using relatively more sophisticated and expensive technology, may have a much higher benefit in terms of increasing local production and incomes, and the tax base. As long as both are economically viable, the decision between them, if one must be made, should be based on the development priorities as expressed in the UCF's annual investment plan.

2) Loan Terms and Conditions; Spreads

a) Interest Rate Policy

The maintenance of positive real market rates of interest is a non-negotiable principle of the Market Town Capital Formation Project. However, with the Bolivian economy currently in a transition phase, it is difficult to determine what optimal interest rates should be.

The current DDC interest rate for its portion of refinanced loans (presently 100%) is 12 percent with a dollar maintenance-of-value clause. This was agreed to by the GOB in 1985, when normal bank deposit and lending interest rates were controlled by law at levels lower than the inflation rate. Commercial interest rates are now decontrolled, and short-term dollar loans from commercial banks are being made at rates ranging from 24 to 30 percent per year. Short-term peso lending is presently done at rates of six to seven percent per month. Longer term lending, comparable to that being offered by the DDC and MTCF Projects, is hardly to be found at all in the absence of the refinancing facilities previously offered by the Central Bank. At this time, the commercial banks do not have a long term deposit base, in either dollars or pesos, which would permit them to make such loans using their own deposits.

Commercial interest rates are likely to remain highly volatile for the foreseeable future, depending to a large extent on the rate of inflation, the success of the Government's economic policies, and general confidence in the financial system. Even under the most positive of assumptions, with inflation under control and a fairly constant dollar/peso exchange rate, it is likely that the severe liquidity shortages in the banking system, together with the deep underlying lack of confidence on the part of potential savers (especially those with investment alternatives outside the country), will keep short-term lending rates between 16 to 20 percent or higher during this year.

During the intensive review period, the Project Committee concluded that it would not be proper to have the MTCF Project charge interest rates comparable to current short-term commercial lending rates. Instead, an initial rate of 16 percent per annum, with a dollar maintenance-of-value clause, will be used. This rate will be under constant review as the future course of the economy becomes clearer. The 16% rate will presently generate sufficient spreads to provide incentives to financial system participants.

As soon as the Project's refinancing activities begin, the PCU, with USAID/Bolivia and PL 480 Secretariat approval, will review and adjust interest rate policy as often as is necessary to maintain a positive real rate of interest and sufficient spreads for the institutional participants. A realistic interest rate policy, consistent with the prior policies of USAID, would be to set the rate at a level two percentage points higher than the prevailing rate for long-term dollar deposits. Normal commercial bank policy would build in a margin of four to five points, although current spreads in Bolivia are much higher as a result of the very low volume of commercial bank business being done. In any case, as emphasized earlier, the MTCF Project interest rate will be revised as often as necessary to meet Project goals of financial self-sufficiency, market competitiveness, and ICI participation.

Participating ICIs will follow their own interest rate policies with regard to the portion of each sub-loan financed with their own resources.

b) Equity and Co-financing Requirements

Investors will be expected to contribute at least 25 percent of the total value of their projects in cash or in kind (land, buildings, equipment, etc). In cases where a borrower is not able to contribute this much to the Project, it will be his or her reponsibility to find local investors to participate as co-owners/shareholders. Such participation may be perceived as intrusive, but each subproject financed must have an adequate equity investment from its owners to make it financially viable and to keep its risk within tolerable parameters. Although a minimum 25% equity investment will be required, the actual amount of equity financing provided will depend on the nature of each subproject and the risk it involves.

Participating ICIs will eventually be required to finance a portion of each subproject loan from their own deposits. In an ideal situation, they would be expected to finance 20% to 25% of each loan to begin with, and to increase their participation over time in order to mobilize and invest more domestic savings in productive projects. Given the present low liquidity in the banking system, however, it has been agreed that an ICI participation at the 25% level is not possible right now. (It will remain a future goal). Initially, 100% refinancing will continue to be provided, but, as soon as possible, 5% to 10% ICI participation will be required. The percent of participation offered by the ICI in each subloan will be taken into consideration by the UCFs. Those MTCF subprojects with a significant level of ICI financial participation will be favored over those with less. The purpose is to introduce an element of competition among the ICIs.

c) Loan Collateral Requirements

Participating ICIs will accept 100 percent of the risk for loans they make with the support of project funds. It is thus up to the ICIs to establish collateral requirements to cover their risk of loan default. In most cases, these collateral requirements range between 200 and 300 percent of the loan value in the form of fixed (usually urban) assets -- commonly real estate.

It is often difficult for borrowers, both urban and rural, to satisfy this demand for collateral when borrowing for the establishment of an agribusiness or other type of productive enterprise costing $100,000 or more. Some banks have been more flexible than others in establishing collateral requirements for subprojects supported by the DDC Project, which their own development lending departments have approved. This flexibility should serve as another competitive factor for the UCFs to consider in cases where they are referring potential borrowers to a specific bank.

By participating in a new loan guarantee program presently under development for Bolivia by USAID/B and PRE, it is likely that the MTCF Project will be able to offer some access to direct loan guarantees to borrowers with limited collateral for selected MTCF subprojects of especially high potential or development impact. This loan guarantee program will not be financed as a component of the MTCF Project.

Despite the high collateral requirements of participating ICIs, the MTCF Project is expected to receive more viable loan requests than it has funds available to finance. Therefore, except for possible inclusion of a loan guarantee in some subprojects financed, the Project will not attempt to alter the high collateral demands of the ICIs assuming the loan risk.

d. Loan Repayment/Grace Period

Loans under the MTCF Project will be made for periods of up to five years, with possible grace periods of no more than one year. The ICIs accepting a subproject for potential refinancing will work out a proposed loan period and term of repayment with the borrower according to the nature of the project being financed, and will consult with the UCF as necessary so that the proposed loan conditions will be acceptable to the UCF when the subloan proposal is sent forward.

As was the case under the DDC Project, the ICIs will be permitted to recoup the portion of their loans financed with their deposits before the portion financed with GOB monies is repaid.

e) Spreads

The interest rate spreads for participating institutions will be regularly reviewed by the PCU and USAID. These spreads are expected to vary over time. The chief considerations in setting the spreads (as opposed to the interest rates themselves) are 1) the returns necessary to induce continued ICI participation in the Project and 2) the operating expenses of the UCFs.

Initially, the spreads have been set as follows, based on the 16% interest rate with which the Project will open:

ICI	-	4 points
UCF	-	3 points
PCU	-	1 point
Capitalization	-	8 points

3) Sub-project Approval Process

a) Approval Steps

The following three-step process is designed to make lending procedures meet the needs of the borrowers and ICIs, while ensuring that the criteria of the Project are upheld and the integrity of the UCF Credit Fund is protected.

Step One: Subproject Promotion and Development

1. The prospective borrower approaches either an ICI or the UCF with his project plans. (Of course, the UCFs themselves will often initiate contact with potential investors.)

2. If the ICI is approached first, it will undertake an initial evaluation of the feasibility of the borrower's project, determine collateral requirements, and decide on its willingness to help develop the loan proposal for the subproject.

3. If the UCF is involved first, as in the case of investments in priority market towns, it will undertake an initial evaluation of the proposed project loan against the MTCF Project's standard financial and socio-economic impact criteria by reviewing the plans submitted by the investor(s), visiting the project site, and carrying out whatever other research and analysis might be necessary, before deciding whether the proposed project should be developed for financing.

4. The investor(s), the UCF and the ICI will then jointly develop the loan proposal. Although the investor(s) should take the lead in this process, it is expected that significant assistance will be provided by UCF personnel (and their PCU and MTCF Project advisors) and by ICI loan officers.

Step Two: Subproject Approval

This step involves approval by the ICI and the UCF or PCU Credit Committee (depending on the approval authority granted by the PCU Credit Committee to the UCF - after the initial Project phase wherein USAID will hold final approval authority.)

1. The investor submits his loan request form (contents to be specified by the PCU for use by all participating ICIs) to the ICI along with a final feasibility study. The ICI evaluates the financial viability of the project and decides whether to approve the loan application.

2. The loan application, feasibility study, and ICI loan commitment letter are submitted to the UCF for a decision on subproject refinancing eligibility. If the UCF has the authority to approve the loan, it does so. If not, it sends the documents it has received from the investor and the ICI, along with its own project eligibility evaluation and recommendation, to the PCU.

3. The PCU Credit Committee will review all loan requests which cannot be approved by the UCFs. The Committee will be composed of the PCU Director, the MTCF Project Director, the MTCF Financial Analyst, and two representatives of the PL 480 Secretariat with the technical assistance team Chief of Party and a UCF representative usually participating as non-voting members. (Decisions re refinancing should be unanimous.)

4. After the initial period of the Project, in which USAID will review all refinancing requests, USAID will only review those loan approvals above the $75,000 level. This level is likely to be raised in subsequent years of the Project.

The entire process of loan approval, once project financing requests are completed, should require no more than one month. In Phase II of the Project, where UCFs are authorized to approve loans directly, the process from beginning to end should require no more than two weeks.

Step Three: Loan Processing

1. The PCU or the UCF, as the case may be, forwards its notification of loan approval to the participating ICI. The PCU and each ICI will have already signed blanket refinancing agreements governing the terms and conditions of each loan approved for refinancing.

2. The ICI submits a signed copy of its loan agreement with the borrower to the UCF/PCU.

3. The PCU, upon approving a loan itself, or receiving notification from a UCF of its approval of a loan, forwards notification of the approval to the PL 480 Secretariat which will disburse funds to the involved ICI on demand, in accordance with the terms of the ICI - borrower loan agreement.

b) UCF Approval Limits

As noted earlier, after Phase I of the Project, some or all UCFs will be given final loan approval authority up to a certain level. This approval level will be set for each UCF individually by the PCU Credit Committee and reviewed annually. Several of the UCFs are already staffed by competent professional teams and have developed a positive record in the identification and development of subprojects for the DDC Project. Two of the UCFs are also channelling funds to borrowers from their respective DDCs (Santa Cruz and Chuquisaca). Among the objectives of the MTCF Project are those of increasing the capability of the UCFs, and decentralizing a large measure of subproject approval authority as quickly and as prudently as possible.

The process of decentralization will begin with the first allocation of loan funds to the UCFs. Each of the UCFs will be responsible for determining its investment priorities, both geographically and by sector (see the discussion in Section III.D.2. of UCF investment promotion), and for proposing the allocation of a specified amount of UCF Credit Fund resources among those priorities each year. After review of each UCF's past loan record, its present capabilities and its proposed annual plan, the PCU Credit Committee (with the concurrence of USAID) will assign each UCF a limit within which it can approve loans, valid for the year of the annual plan. With the increasing maturity and capability of the UCFs, coupled with continuing guidance and monitoring from the PCU and technical assistance from the Project's consulting team, it should be possible to increase loan approval limits rapidly and with confidence. By the end of the Project, it is possible that all loans will be approved at the UCF level.

Before a UCF is given any loan approval authority at all under the MTCF Project, it will have to comply with the following minimum conditions:

- It should be officially designated as an independent unit of the DDC, or legally established (by decree) as an autonomous entity.

- It should be staffed by a team of professionals selected in coordination with the PCU.

- It should have at least one year of satisfactory operating experience in all of the functions required of a UCF.

The UCFs will be divided into three categories in regard to subproject approval ceilings. The PCU Credit Committee will set the criteria which determine into which category each UCF falls. Initially, the category limits will be:

Category A	up to $75,000
Category B	up to $40,000
Category C	up to $15,000

All loans over $75,000 will be approved by the PCU Credit Committee, and during Phase I, these approvals will be reviewed by AID before the subproject is financed by the Project.

After a year in one category, providing the UCF continues to perform satisfactorily, it should be promoted to the next higher category. The approval limits for Category A UCFs will be raised during the Project to a maximum of $200,000. The USAID/Bolivia approval level will also be regularly raised, and may eventually be abolished, if UCF/PCU performance so warrants.

The UCFs in Cochabamba, Chuquisaca, and Santa Cruz have already met the minimum criteria for receiving loan approval authority, and can be assigned an approval limit by the PCU Credit Committee as soon as Phase I (USAID approves all loans) ends.

4) Disbursement Procedures

Once loans are approved, disbursements will be made from the UCP Credit Funds by the PL-480 Secretariat as called for in disbursement schedules in each ICI loan agreement. Disbursements will be made directly from the UCP Credit Fund to the ICIs.

d. Savings Mobilization

The principal objective of the MTCF Project is to increase productive private sector investment in Bolivia's rural and semi-urban areas. Ideally, the Project should strive to use the financial resources it will channel into subproject loans to mobilize as many domestic resources as possible for investment in secondary towns and rural areas. In addition to requiring a minimum equity investment, as will be done, this could be accomplished by requiring significant co-financing of each subproject loan by the ICIs, for example, by refinancing only 50% or less of each loan. Unfortunately, as already explained, due to currently low real incomes in urban areas where banks mobilize most of their deposits, and to the present lack of confidence in financial institutions, savings deposits are at an all time low in Bolivia. Thus, significant ICI co-financing cannot be required in the near future, although it will be as soon as is possible.

Nevertheless, there are aspects of the project which will result in increased capital formation and greater local equity investment.

1) Direct Equity Investment

The co-financing requirements of the project ensure that at least 25 percent of the development cost of any subproject will be paid by the owner/sponsor (individual or group) in the form of equity investment. This requirement encourages increased local capital formation and provides an element of leverage for the project money used.

2) Retained Earnings

Retained earnings, or the profits retained for reinvestment in an enterprise, are also significant elements of capital formation. The economic impact of reinvesting earnings in the growth of a productive enterprise has the same effect as the investment of "new" equity funds in terms of increasing employment, income, production, etc.

Retained earnings accumulated at a real rate of ten percent per year, compounded against the original equity investment base, would have the effect of doubling owners' equity in only seven years. When this increased owners' investment is leveraged with additional borrowed funds, it becomes clear that the economic impact of establishing a viable new productive enterprise is cumulative, if major setbacks can be avoided. (The provision of technical assistance and regular monitoring activities should help avoid these.) The Project will monitor retained earnings accumulation as part of its gathering of impact data.

3) Small Business Investment Companies (SBICs)

Small Business Investment Companies are officially constituted groups of local investors, who pool funds for investment in new enterprises, set up rules for the use of the funds, and usually hire a professional manager to handle them.

During the intensive review, the Project Design Committee considered the idea of sponsoring SBICs in the future, when the Bolivian economic situation is expected to have improved. The objective of promoting the development of SBICs would be to stimulate the investment of privately held local capital in enterprises meeting the criteria of the Project, as a complement to loan funds provided by participating private banks (ICIs). In this case, the funds would be provided by groups of individual investors through their SBICs.

This type of venture capital enterprise activity is well-known in the United States and is a popular tool for aspiring entrepreneurs in need of investment capital to develop their enterprises. It is relatively unknown in countries like Bolivia, however, where more importance has traditionally been placed on the direct management of one's own resources. While it cannot be certain that investors will come forward to participate in such ventures until the offer is made, the response to the idea in interviews with bankers, UCFs and business people during the intensive review was sufficiently positive to justify consideration of the sponsorship of SBICs sometime during the life of the MTCF Project. A description of how SBICs would operate under the Project's aegis is available in USAID/Bolivia files. No funds are being reserved currently to work with SBICs, but Project budget modifications can be made if sufficient interest is shown at a later date.

2. Investment, Planning and Promotion

a. Objectives

The objectives of the investment promotion component are (1) to get the UCFs to take a more active role, in cooperation with interested investors and ICIs, in identifying and developing projects for refinancing under the UCF Credit Fund, and (2) to select and promote investment in particularly promising secondary market towns ("priority market towns").

b. UCF Annual Investment Plans

In order to focus and prioritize their investment promotion efforts, each UCF will prepare an annual investment plan. The plans prepared by the UCFs should be considered "plans" in only a loose sense. They are neither to be comprehensive "blueprints" for the development of Bolivia's regional departments, nor summary listings of subprojects based on already-presented loan applications. Instead, the UCFs should investigate prospects for private sector investment in their departments and attempt to prioritize investment possibilities in terms of their potential socio-economic impact.

To prepare its annual plan, each UCF will work closely with its associated DDC planning department to assess regional resources and development priorities, and to consider the direction of local investor interest, both in terms of geographical area and in types of investment activity. With this information in hand, each UCF can logically develop a promotional program to attract the types of potential investment designated as most desirable. Meanwhile, the DDCs should be encouraged to address infrastructural barriers holding back private investment within targeted sub-regions.

Among the specific factors to be considered in the development of the UCFs' annual investment plans are the following:

- Regional market demand
- Infrastructure constraints
- Local availability of raw materials and agricultural products
- Investor interest
- DDC departmental development priorities
- Regions of special need and promise

- Complementary economic activities

- Labor force characteristics

UCF annual investment plans will be submitted to the PCU, reviewed by MTCF project staff, and presented for approval to the PCU Chief and representatives of USAID/Bolivia and the PL-480 Secretariat. The first of these documents, for 1987, will be prepared by month four of the MTCF Project on a trial basis. Local short-term technical assistance will be provided in this preparation via Project contingency funds. After this first submission, PCU and the expatriate contract technical assistance personnel will provide assistance to the UCFs in drawing up these documents each project year.

Two important elements of these annual plans are discussed below: marketing studies and the selection and promotion of priority market towns.

c. Market Studies

National market studies for specific agricultural products have been sponsored under the DDC Project (the latest one concerns the market for poultry products). These studies responded to regional interests in developing projects to meet demands beyond local markets. The MTCF Project will sponsor more such studies in order to have a more solid basis for UCF planning and subproject approvals, and to promote the development of subprojects in what appear to be the most promising market areas. This decision is partially based on the fact that marketing has been the weakest area of the subprojects previously presented for financing.

Under the MTCF Project, studies of market demand for specific products of interest to more than one region of the country will continue to be sponsored by the PCU. Regional, national and export markets in neighboring countries will be investigated as appropiate. The UCFs will use these studies to plan and promote investments in their regions.

d. Promotion of Investment in Priority Market Towns

Each UCF will be encouraged to identify the most promising towns within its region for productive private sector investment, and to promote investment there as actively as possible. The process of promoting investments in priority market towns will include three steps: market town selection, market town investigation, and investment promotion development. Selection of priority market towns will be made taking into consideration the criteria listed in III.D.2.b. Special attention will be given to market towns where some initial investment has already taken place, where more than just basic agricultural production and commercial activities are already underway, where labor resources exist, and where the prospects for interrelated investments appear promising.

Once priority towns are identified and selected, specific factors which will influence future investment in them (usually as identified by interested investors) will be studied during the investigation phase of priority market town development - especially market access and demand, natural resource endowments,* labor availability and characteristics, and possible backward and forward linkages with local agricultural producers. The information developed at this stage will be designed to assist interested investors to develop enterprises in the priority market towns. It will provide the basis upon which the UCFs can assist these investors to design their investment projects should they choose to do so.

During the third phase of priority market town investment development, the UCFs will cooperate with investors and their ICIs in designing subprojects for financing by the UCF Credit Fund. In addition, using the information they have accumulated though priority market town investigations, UCFs will undertake promotional efforts designed to identify and attract new investors to these towns.

To implement this project component, 20% of the $21 million to be made available to the UCF Credit Fund under the MTCF Project, or 4.2 million, will initially be reserved to finance investments in priority market towns. In addition, $250,000 in grant funds will be set aside to finance necessary investigative studies. To begin with, four of the most advanced UCFs will be asked to identify one priority market town for special investment promotion emphasis during 1987 and early 1988. An investment promotion expert will be hired for twelve months to assist these four UCFs to implement the program described above in these four towns. This person's efforts will be augmented with short-term expertise relevant to the needs of the towns in which promotional work is being done. In 1989, unless evaluations indicate otherwise, the lessons learned from this pilot Project will be summarized and taught to other UCFs, which will then also participate in the "priority town" effort.

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* CUMAT (the Bolivian Land Use Survey Bureau), which has received AID support under the PL-480 Title III Program, has developed methodologies which are particularly useful in identifying natural resource development opportunities and constraints.

e. Quarterly Portfolio Reviews

In addition to preparing annual investment plans for review and approval by the PCU, quarterly portfolio review sessions will be held with each UCF to examine its performance in developing, arranging financing for, and monitoring investments in its region. These reviews will help the PCU, AID and the PL 480 Secretariat to keep in close touch with UCF performance and the subprojects being financed, will complement the performance evaluations, and will contribute to the resource allocation decisions to be made following review of the annual investment plans.

3. Institution Building

a) Objective

The objective of this project component is to strengthen the institutions involved in the UCF Credit Fund refinancing system --principally the UCFs and the PCU, and, indirectly, the participating ICIs.

The PCU and the eight UCFs created under the DDC Project are functioning reasonably well as that project approaches its September 30, 1986 PACD. However, while the PCU has been in existence for almost three years, some of the UCFs are not yet a year old. To date, they have been involved primarily in the process of subproject identification, preparation, and assessment. It is clear from the analyses done by the consultant team during intensive review, and by the evaluation team at the DDC Project's mid-point, that the UCFs need to improve their performance in the establishment of investment priorities, the preparation of annual investment plans, and in subproject development. The MTCF Project will provide technical assistance and training to strengthen both the PCU and the UCFs in technical as well as administrative areas.

The key institutions in the UCF Credit system are the intermediate credit institutions (ICIs), or banks, which will channel loan funds to private sector investors. These banks have fulfilled their role adequately under the DDC Project. However, much remains to be done to improve ICI participation in the investment financing process, which is at present largely passive. One of the implicit objectives of this Project is to encourage the banks to play a more active role in the process of economic development by having them encourage medium-term capital investment in rural and semi-urban areas. If decentralized investment financing is to become a sustainable reality in Bolivia, then there must be strong, viable ICIs to provide project financing.

The following sections discuss the roles and current weaknesses of the UCFs, the PCU, and participating ICIs, and the assistance to be provided them under the Project.

b) The UCFs

The UCFs are the most interesting and original achievement of the DDC Project. They were created to respond to investment needs at the departmental level. The UCF's role is to stimulate economic development by identifying investment opportunities in the private sector, encouraging potential investors to submit subproject proposals to ICIs for possible financing, and inviting local banks to participate in the process by having them lend to investors using the MTCF Project's refinancing line. Visits to the UCFs during the intensive review confirmed that all of them were meeting their objectives, at least to some degree, and that their efforts were widely known and appreciated. However, it is clear that the UCFs are performing their activities at markedly different levels of effectiveness. (See Institutional Analysis)

1) Responsibilities

Under the MTCF Project, the UCF role will be expanded and performance standards tightened. The UCFs will have the following responsibilities:

- Preparation of annual investment plans giving investment priorities, geographical areas of concentration, possible subprojects, and proposed investment refinancing budgets.

- Identification, development and assessment of subprojects with investors and ICIs.

- Approval of subproject refinancing requests.

- Monitoring subprojects and providing assistance in general management to investors during subproject implementation.

The UCFs are not all woven of the same institutional cloth. For instance, the UCFs in La Paz and Potosi are just beginning to do project promotion work, while those in Sucre and Santa Cruz are already supporting a large number of projects. The reasons for such differences are relatively clear. One factor is the degree of operating cost support each UCF receives from its DDC. Another factor is the extent to which the UCFs are staffed by personnel selected or at least approved, by the PCU rather than by those named independently by the DDCs. (In the latter case, political factors often come into play.) A third factor is the differing development potential of the nine departments. For example, it is much easier to develop the Santa Cruz and Cochabamba areas, where the natural resource base is favorable, than the Potosi and Oruro departments, where development potential is limited, particularly at present with the collapse of the tin mining industry.

2) Weaknesses

Despite differences in degree, the weaknesses of the UCFs can be grouped into four areas as follows:

1. The UCFs need more experience in establishing investment financing priorities and drawing up annual investment plans.

2. There is room for UCF improvement in subproject identification and development, especially in investigating the marketing aspects of possible investments.

3. The UCFs need to develop programs for monitoring the subprojects they help develop, and for providing business management assistance to investors who require it.

4. The UCFs need to work harder to establish good working relationships with their DDC planning departments and with ICI development lending departments.

3) Assistance to be Provided

To improve UCF capabilities, technical assistance and training will continue to be extended by the PCU (as in the DDC Project), and this will be augmented and expanded by a three person expatriate TA team and several short-term advisors. Assistance will be provided in:

- Preparation of annual investment plans.

- Promotional efforts for priority market towns.

- Establishment of effective management systems.

- Preparation and evaluation of feasibility studies and investment plans.

- Training in the assessment of the potential development impact of private enterprise activities.

- Training in the provision of short-term technical assistance in business administration and management to enterprises funded by the Project.

- Training in project impact evaluation.

4) Staffing

UCFs will be required to have professional staffs of at least four people with expertise in banking, project development, financial analysis/accounting and business management or industrial engineering. (The PCU Credit Committee will set subproject approval limits for the UCFs taking into account the size and expertise of their staffs as well as their receptivity to, and absorption of, MTCF Project technical assistance, and their performance in developing bankable subprojects.)

To carry out their duties, the UCFs must cooperate closely with a) their DDC planning departments, b) ICIs and c) entities such as private agricultural producer organizations (PAPOs), cooperatives, and private voluntary organizations (PVOs), which latter groups represent potential investors that may wish to work with the UCFs to develop subprojects.

5) Cooperation with DDCs

Since the UCFs will be helping to channel significant amounts of resources to their departments, it is important that UCF investment plans and actions conform with departmental development objectives -- to the extent these objectives are coherent, consistent and practical. If the planning department of a DDC is doing its work well, its collaboration should be sought by the UCF in that region in the preparation of the UCF's annual investment plans. The Project TA contractor's Investment Promotion Expert, the PCU Planning Specialist (see below), and short-term consultants will also work jointly with the UCFs and their DDC planning departments in improving UCF investment planning efforts.

As explained in the Financial Analysis, most UCFs are also receiving modest financial support from their DDCs to help defray operating costs. Continued support of this nature will be required by some UCFs until their "portfolios" are large enough that their interest rate spread fully covers operating costs.

6) Cooperation with ICIs

The UCFs will work closely with the development lending departments of the ICIs operating in their regions. By working closely with ICI personnel, it is hoped that the UCFs, and their national and expatriate advisors from the PCU, will be able to:

1. Provide training to ICI personnel in subproject preparation and analysis;

2. Provide ICI personnel with experience in subproject monitoring, through requiring ICI presentation of regular reports on subprojects being executed; and

3. Improve ICI loan planning and marketing capabilities through participation in annual UCF investment planning exercises.

7) Cooperation with Producer Associations and PVOs

A major effort will be made under the MTCF Project to foster cooperation between UCFs and PAPOs or other entities representing potential groups of investors, such as PVOs. The reasons for this are two-fold. The UCFs will always be relatively small organizations whose outreach will be limited. Cooperation with PAPOs and PVOs can serve to extend the outreach of UCF programs, frequently to those who can benefit from them most. Similarly, the PAPOs and some PVOs can profit from the assistance in project development and financing available through cooperation with UCFs.

PAPOs have been formed by agricultural producers due to the absence of GOB services in research and extension, input supply, marketing and other areas Such self-help efforts are even more important now with the Paz Government's policies favoring free enterprise and eliminating wasteful government subsidies. Thus the PAPOs, which originally may have been formed solely to lobby the GOB, have recently become more involved in the provision of production and marketing-related services to their members and, in some cases, in profit-making enterprises designed to provide markets or inputs for their members' agricultural production. The PETHOSAM (Planta Industrializadora de Tomates y Hortalizas, Sociedad Anonima Mixta) project in San Isidro (Sucre) is a case in point. Under this Project, the Association of Fruit and Vegetable Producers (ASOHFRUT) is making a direct investment in a tomato processing enterprise which will improve the market for its members' produce.

Many PAPOs require investment credit, and their cooperation with UCFs is therefore natural. In fact, $5 million in PL-480 Title III funds have been reserved under the Private Agricultural Producer Organizations Project (511 -0589) for channeling through the UCFs to PAPOs for service related investments.

In the case of PVOs, such entities often can serve as channels to campesino groups through which the UCFs' efforts in project promotion and financing can be facilitated. PVOs (and PAPOs) can serve as local level loan intermediaries, managing the distribution and collection of funds under individual loans made to groups of investors. In these cases, one percentage point will be added to the interest rate paid by the borrowers to serve as a fee for the PVO or producer association managing the loan. These same PVOs or associations will also provide technical and managerial assistance to the borrowers.

c) The Project Coordination Unit

The Project Coordination Unit is the institutional linchpin of the DDC Project and will continue to play this role in the MTCF Project. Created three years ago in response to the lack of institutional support for the DDC Project from the Ministry of Planning and Coordination, the PCU has handled the loan component of the DDC Project, and helped create the UCFs. It will have the following expanded responsibilities under the new Project:

- Provision of technical assistance and training to the UCFs in a) the preparation of annual investment plans, b) the identification, preparation, and evaluation of subprojects, and c) providing an appropriate response to the problems encountered by investors in subproject implementation.

- Establishment of UCF Credit Fund investment policies.

- Approval of UCF annual investment plans and allocation of UCF Credit Fund resources to the UCFs.

- Approval of subproject loans (through participation in the Credit Committee) above limits set for the UCFs.

- Liaison with the PL-480 Secretariat for purposes of UCF Credit Fund cash management.

- Continued representation of UCF interests at the national level.

- Liaison (through the PCU Director) with the Private Agricultural Producer Organizations Project implementation team.

- Liaison with USAID/Bolivia.

Technical assistance will be provided under the MTCF project to strengthen the PCU's capabilities to meet these expanded responsibilities.

1) Weaknesses

The PCU's chief weaknesses are:

1. Lack of experience in investment planning.

2. Room for improvement in subproject assessment, particularly marketing aspects and project administration.

3. Lack of experience in financial management.

4. Lack of experience in ex post facto project evaluation.

5. Need for more collaboration with participating ICIs.

Some of the weaknesses listed above are actual and some are only potential, since under the DDC Project the PCU was not required to perform as wide an array of tasks as it will under the MTCF Project.

2) Staffing

The PCU staff currently consists of a Director,* five project development specialists and two secretaries. This staff is well motivated, and has the potential for assuming new responsibilities. However, additional expertise must be available to the PCU so that it can discharge its expanded duties under the MTCF Project effectively. The new positions to be added are a financial analyst, an accountant, a banking expert, and a regional planner. Simultaneously, two of the project development positions will be eliminated.

In addition to the new staff, the PCU will be assisted in carrying out its duties by the formation of an MTCF Project Coordination Committee composed of representatives of USAID, the PL-480 Secretariat, and the Ministry of Planning and Coordination (MPC), along with the PCU Director and the MTCF Project Chief. This Committee will oversee and assist the PCU

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* This person is also the GOB representative for the Agro-Industrial Import Component of the Disaster Recovery Project, and co-representative for the Agribusiness and Artisanry Project, and he will be the GOB representative for the PAPO Project. The PCU staff does not work on these other projects (the AIRC has its own staff), and, in fact a separate PCU division incorporating these people will be created under the PCU Director to administer the MTCF Project.

with its work. It will approve annual UCF investment plans and participate in the quarterly portfolio reviews. In addition, it will meet periodically with PCU staff and the technical assistance team to consider issues affecting all of the Project's institutional participants.

(3) Assistance to be Provided

The Project's TA team will assist the PCU to develop its capabilities in the following areas:

- Providing assistance and training to the UCFs in: a) investment planning; b) subproject development and analysis (especially market analysis and financial analysis) and subproject evaluation; and c) developing the capability to provide business management assistance to subproject investors.

- Collaborating with ICIs in subproject development.

- Project assessment, especially financial analysis.

- Accounting for UCF Credit Fund resources.

d) Intermediate Credit Institutions

An objective of both the DDC Project and the MTCF Project is to stimulate the private banking sector to become more actively involved in economic development, specifically in the financing of investment activities in rural areas. By providing credit funds through the DDC Project, it was hoped that the ICIs would 1) begin lending to clients previously excluded from the conventional lines of credit and 2) reorient their normal lending policies to broaden the types of activities they would be prepared to finance. This has begun to occur but, to date, the banks still tend to play a conservative, passive role - being more interested in investor's collateral then in the substance of any particular investment.

Changing LDC banking practices is a long-term proposition. It is complicated in Bolivia by the fact that the country's commercial banks are just emerging from a chaotic period during which unsound GOB economic policies, including artificially low mandated interest rates, made normal banking activity - and almost all normal business activity - impossible. The banks are now fully occupied with trying to adapt their practices to the liberalized economic environment fostered by the Paz Government.

The Agribusiness and Artisanry Project, as designed in 1983, has been successful in getting most banks to set up development loan departments to handle their refinanced transactions. Under the extension of that Project, banks will continue to receive technical assistance and training specifically tailored to their operations and aimed at improving their performance. This direct assistance will be complemented by efforts under the MTCF Project to improve the UCF-based investment financing system. Under the MTCF Project, ICIs will be encouraged a) to cooperate with UCFs in preparing their annual investment plans, b) to cooperate more closely with their clients and the UCFs in preparing project financing requests, and c) to improve their monitoring of the projects investors have borrowed from them to finance. In order to work effectively with the UCFs, banks will also have to agree to decentralize responsibility within their organizations for developing and approving loan proposals.

Continued assistance to improve ICI operations will be provided under the extension of the A&A project to those banks which are working most closely with AID's refinancing lines. In addition, indirect assistance and training will be provided to cooperating ICIs under the MTCF Project through activities set up by the Project's advisory team to improve UCF-ICI collaboration in investment promotion, development and financing. Those ICIs which cooperate most closely with the UCFs, gradually improve their development loan departments, and finance a greater share of each refinanced loan with their own deposits, will receive a larger share of the investment funds provided under the MTCF Project to lend to their clients.

e. Technical Assistance and Training to Improve UCF, ICI and PCU Capabilities

The technical assistance to be provided to the MTCF Project has as its objective an increase in the institutional capacity of the PCU, the UCFs, and the ICIs to plan, implement, monitor, and evaluate a decentralized system of investment financing in the nine departments of Bolivia. Technical assistance for this institution building effort will consist of:

- Systems and organizational development.

- Technology transfer.

The term "systems and organizational development" usually means the provision of assistance in designing structures and procedures that integrate all activities and tasks needed to achieve project objectives and sustain results. In the case of the MTCF Project, most of this assistance will consist of adjustments and modifications to current structures and procedures, rather than the creation of new systems and organizations. In summary, the first element of institution building in the MTCF project will be improving the organizational structure and operational procedures of the PCU and the UCFs.

Equally important is the substance of what the UCFs, ICIs and PCU do. The second institution-building element, technology transfer, will address this area of concern. Within the MTCF project, technology transfer is broadly defined as the provision of technical education that local staff require to perform their functions in a more effective manner. Examples would be technical instruction in investment planning, designing evaluation criteria, or estimating small and medium-scale enterprise profitability.

1. Long-Term Technical Assistance

The long-term technical assistance team will be composed of the following three people for two years each:

- An investment promotion specialist
- A small enterprise (SME) development specialist
- A marketing specialist

The investment promotion specialist (Chief of Party) will work with the PCU, and all UCFs, but especially with the four UCFs which are participating in the pilot "priority towns" effort. He/she will work as counterpart to the MTCF Project Chief, and will collaborate closely with the PCU Regional Planning Specialist. His/her duties will be to:

- Assist UCFs in the selection of priority market towns, and in the identification of factors to be studied in each to provide needed information to interested investors.
- Help supervise the studies undertaken in priority market towns.
- Develop methods for investment promotion by the UCFs, both for investments in general and for investments in priority market towns, and teach these to UCF staff via seminars and one-on-one training.
- Help UCF staff complete the investment promotion component of their annual investment plans.
- Advise the PCU on investment promotion concepts, so that PCU personnel can judge UCF investment promotion proposals and, eventually, extend technical assistance to the UCFs in this field themselves.
- Establish criteria to judge the effectiveness of the various investment promotion activities undertaken under the MTCF Project.

This expert must have had experience in Latin American investment promotion activities, preferably those related to agro-industry. As the Technical Assistance Team Leader, he/she should have successfully led international training efforts in the past.

The second member of the contracted T.A. team, the small enterprise specialist, will work closely with the PCU's three project development specialists. He/she will have the following major responsibilities:

- Training personnel from the UCFs and the ICIs in how to prepare subproject proposals.

- Helping private sector investors develop their project ideas into viable proposals.

- Training UCF personnel in small business management techniques.

- Preparing a roster of short-term consultants who can assist investors with production and administrative problems.

During the last two years, the DDC Project has been concerned primarily with initial loan approvals and disbursements. As the MTCF Project gets underway, a critical element of its technical assistance program will be the provision of practical managerial and technical assistance to the enterprises funded through both the DDC and MTCF Projects. In providing this assistance, the small enterprise specialist will work directly both with client enterprises in the resolution of specific project design and operational problems, and with the UCFs to increase their capability to work effectively with individual enterprises. A mixture of formal and informal technical assistance methodologies will be used.

The candidate for this position will have had extensive hands-on experience with the administration and management of small and medium-scale enterprises, preferably in the developing world. This person must also be an experienced trainer.

The third long-term position, that of the marketing specialist, was identified early in the design effort after initial field visits, when it was discovered that the DDC Project had, in some cases, been financing "good ideas" while paying little attention to the marketing potential of what was being produced. Subsequent field work confirmed that the area of marketing is one which is too often ignored by Bolivian investors. The expert appointed for this position will work closely with PCU project development personnel and UCF staff, and he/she will have a variety of responsibilities, including the following:

- Conducting marketing studies at both regional and national levels.
- Assessing the marketing plans within sub-projects proposed for financing, and training PCU and UCF personnel to do so.
- Assisting in making subproject marketing arrangements, both nationally and internationally.

This specialist should have a thorough background in marketing, particularly the marketing of agro-industrial and agriculture-related products. Experience in Latin America is required, as is some experience in international export marketing.

2. Short-term Technical Assistance

Forty-eight person-months of short-term TA will be provided by the contractor that furnishes the three long-term advisors. These experts will help the UCFs and the PCU with market town studies, investment planning, project evaluation, project monitoring methods, system development (for the refinancing system), and in other areas of need which surface as the Project progresses. Important areas of short-term assistance in the beginning of the MTCF Project will be banking and financial analysis. Significant assistance in these two areas will be given to PCU and UCF personnel in order to increase their competence in project analysis and assessment, and to refine the regulations and procedures for refinancing loans.

To fill the urgent need for technical assistance in the Project's first six months, before the arrival of the contracted expatriate T.A. team, contingency funds will be used to fund 3-4 months of locally-provided technical assistance in a) design of standard forms for loan refinancing use, b) preparation of initial UCF annual investment plans, c) reassignment of duties among expanded PCU staff, d) special UCF needs.

3. Training

Three types of training will be provided under the MTCF Project: 1) workshops/seminars; 2) orientation/observation trips to other Latin American countries and the United States, and 3) on-the-job training. Those receiving the training will be PCU, UCF, and - when appropriate - ICI and DDC staff.

a) Workshops/Seminars:

The PL 480 contribution to the Project will fund twenty-four one week workshops for up to thirty participants each during the Project's life. These workshops will begin soon after the Project's inception. The initial sessions will introduce new PCU staff, UCF employees and participating ICI staff to the MTCF Project's concepts and rules, and will lay the groundwork for the preparation of the first annual investment plans. Where appropriate, DDC planning department staff will be included in this early training. Other seminars in investment promotion, project identification and evaluation, marketing, and similar topics will be given during years 1-4 of the Project.

The PCU, in consultation with its technical advisors and the USAID Project Manager, will set up the schedule for these training sessions. Eight seminars will be conducted in each of the first three years of the Project.

b. Observational Travel

The AID grant will fund twelve one-week orientation/observation trips, for three UCF participants each, so those associated with the MTCF Project may learn how other Latin American countries conduct investment promotion programs. The thirty-six weeks of travel will be planned and assigned to participants by the PCU, with the concurrence of USAID. Six trips for PCU personnel are also budgeted.

c. On-the-Job Training

On-the-job training will begin immediately and continue throughout the Project's life. It will be particularly intensive during the initial phases of the Project, as PCU, UCF, and ICI staff return from seminars and put into practice what they have learned. The training will be conducted by the contracted technical assistance team and by in-house experts.

The quality and effectiveness of this training will be under constant assessment, so the process may be refined and improved as the Project progresses.

IV. COST ESTIMATE AND FINANCIAL PLAN

LIFE OF PROJECT SUMMARY COST ESTIMATES AND FINANCIAL PLAN (US$) (1)

(US $000's)

PROJECT INPUTS	AID GRANT FX	AID GRANT L/C	AID LOAN FX	AID LOAN L/C	GOP L/C(1)	BOLIVIAN PRIV. SECTOR L/C (2)	TOTAL FX	TOTAL L/C
			S O U R C E S					
I. Investment Financing	-	-	-	14,500	6,500	16,500	-	37,500
II. Technical Assistance								
a) Long-term	920	-	-	-	-	-	920	-
b) Short-term	610	-	-	-	-	-	610	-
III. Training								
a) In-country	115	-	-	-		-	115	
b) International	80	-	-	-	-	-	80	-
IV. Project Support Costs								
a) PCU staff (3)	745	-	-	-	-	-	745	-
b) PCU Office Expenses (4)	40	6	-	-		-	40	6
c) UCF Support	32	-	-	-	400 (5)	-	32	400
d) UCF Vehicles and Computers	207	-	-	-	-	-	207	-
e) Market Town Investigation	125	125	-	-	-	-	125	125
f) AID Project Coordinator	175	-	-	-	-	-	175	-
V. Evaluation/Audits	71	100	-	-	-		71	100
VI. Contingencies (6)	136	13	500	-	115	-	636	13
TOTALS	3,256	244	500	14,500	6,900	16,500	3,756	38,144
	3,500		15,000				41,900	

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(1) An inflation factor of 5% p.a. has been built into each of the salary line items below. For details of this LOP Cost Estimate see Annex II.

(2) Investor equity and ICI Financing

(3) This item includes salaries, benefits, travel and per diem, support staff (i.e. 4 secretaries), and Other Direct Costs.

(4) This item includes rent, furniture and equipment. Office supplies will be financed by PCU share of reflows.

(5) This will be financed by the DDCs.

(6) Three to four months of local technical assistance will be provided from this line item in months 1-6 of the Project, if necessary.

IV. LOP COST ESTIMATE AND FINANCIAL PLAN

A. AID Grant and Loan Contribution

A total of $18.5 million ($15 million Loan and 3.5 million Grant) will be provided by AID as shown in the LOP Cost Estimate and Financial Plan Chart. These funds will be allocated as follows:

1. Investment Financing

A total of $14.5 million will be furnished for a market town investment refinancing facility (the UCF Credit Fund) from AID loan funds.

2. Technical Assistance

The technical assistance budget component includes AID grant financing in the amount of $1,530,000 for an international institutional contract (120 man-months). The selected international firm will provide 72 person-months of long-term technical assistance (TA) (i.e. three positions for 2 years each) at an estimated cost of $920,000, and 48 person-months of short-term TA (i.e. up to 18 advisors) at an estimated funding level of $610,000.

3. Training

This training activity consists of a) 24 one-week workshops/seminars to be organized by the PCU for UCF/ICI related personnel and to be funded by the AID grant ($115,000), and b) 36 one-week orientation/observation trips to Latin American countries (i.e. 3 participants per trip) plus 6 ten-day courses (i.e. 3 in the U.S. and 3 in Latin America) mainly for UCF/PCU personnel ($80,000).

4. Project Support Costs

AID grant monies in the amount of $1,455,000 will be provided to finance a) salaries and other direct costs ($791,000) for the PCU staff (i.e. 9 long-term positions for 3 years each), b) UCF operating costs support ($32,000), c) commodity procurement for the PCU and UCFs consisting of 9 vehicles and 9 computers ($207,000), d) investment research in priority market towns ($250,000) and e) an AID Project Coordinator for 60 person months ($175,000).

5. Evaluation/Audits

One mid-course and one final evaluation and 5 annual audits, will be funded with $171,000 in grant funds.

6. Contingencies

A 4.26% AID grant contingency ($149,000) and a 3.3% AID loan contingency ($500,000) are provided for in the Project.

B. Host Country Contribution

a. Bolivian Private Sector Contribution

1. Investment Financing

A total of $16,500,000 will be provided by investors and participating ICIs for subproject financing.

2. UCF Support

The DDCs will help finance UCF operating costs with $400,000 during the life of the project. (See Financial Analysis).

b. GOB Contribution

The GOB will furnish a total of $6,500,000 for financing subprojects from PL 480 Title III resources.

Note: PCU office supplies will be funded by the PCU share of Project reflows (these are estimated to cost $140,000 for the first three Project years.)

C. Implementing and Financing Procedures (AID Funds)

Major Elements	Method of Implementation	Method of Financing	Approximate Amount
I. Investment Financing	ICI Loan Refinancing	Direct Reimbursement	$ 14,500,000
II. Technical Assistance	Direct AID Contract	Direct Pay	$ 1,530,000
III. Training	Invitational Travel Orders	Direct Pay	$ 195,000
IV. Project Support Costs			
A. PCU Salaries and Office Expenses	Direct AID Contracts	Direct Pay	$ 823,000
B. UCF Commodities	Direct AID Contracts	Direct Pay	$ 207,000
C. Market Town Studies	Host Country Contracts	Direct Reimbursement	$ 250,000
D. Project Coordinator	Direct PSC	Direct Pay	$ 175,000
V. Evaluation and Audits	Direct AID Contracts	Direct Pay	$ 171,000
		Sub-Total	$ 17,851,000
		Contingencies	$ 649,000
		TOTAL	$ 18,500,000

D. PROJECTION OF EXPENDITURES BY PROJECT YEAR

(US $000's)

Input/Source	Year 1 FX	Year 1 LC	Year 2 FX	Year 2 LC	Year 3 FX	Year 3 LC	Year 4 FX	Year 4 LC	Year 5 FX	Year 5 LC	TOTAL FX	TOTAL LC
I. AID Loan												
a) Investment Financing	—	2,900	—	2,900	—	2,900	—	2,900	—	2,900	—	14,500
b) Contingencies	100	—	100	—	100	—	100	—	100	—	500	—
TOTAL AID LOAN	100	2,900	100	2,900	100	2,900	100	2,900	100	2,900	500	14,500
II. AID GRANT												
a) Technical Assistance												
- Long-Term	400	—	450	—	70	—	—	—	—	—	920	—
- Short-Term	200	—	200	—	210	—	—	—	—	—	610	—
b) Training												
- In-country	30	—	30	—	30	—	15	—	10	—	115	—
- International	38	—	21	—	21	—	—	—	—	—	80	—
c) Project Support Costs												
-PCU Staff	248	—	248	—	249	—	—	—	—	—	745	—
-PCU Office Expenses	13	6	13	—	14	—	—	—	—	—	40	6
-UCF Support	24	—	3	—	5	—	—	—	—	—	32	—
-UCF/PCU Vehicles and Computers	207	—	—	—	—	—	—	—	—	—	207	—
-Market Town Investigation	50	50	50	50	25	25	—	—	—	—	125	125
-AID Project Coordinator	35	—	35	—	35	—	35	—	35	—	175	—
d) Evaluation/Audits	—	20	35	20	—	20	365	20	—	20	71	100
e) Contingencies	25	2	25	2	21	3	24	2	41	4	136	13
TOTAL AID GRANT	1,270	78	1,110	72	680	48	110	22	86	24	3,256	244
III. HOST COUNTRY												
PL 480												
- Investment Financing	—	1,300	—	1,300	—	1,300	—	1,300	—	1,300	—	6,500
DDCs												
- UCF Support	—	139	—	91	—	88	—	58	—	24	—	400
Bolivian Private Sector												
- Investment Financing	—	3,300	—	3,300	—	3,300	—	3,300	—	3,300	—	16,500
TOTAL HOST COUNTRY CONTRIBUTION	—	4,739	—	4,691	—	4,688	—	4,658	—	4,624	—	23,400
GRAND TOTALS	1,370	7,717	1,210	4,763	780	7,636	210	7,580	186	7,548	3,756	38,144
												41,900

V. SUMMARY PROJECT ANALYSES

A. Technical Analysis

Six principal issues were considered in examining the technical feasibility of the Market Town Capital Formation Project. These were: the demand for medium and long-term investment credit in rural Bolivia; the need to target investment financing to realize the development goals of the Project (see III.D.2.d.); how to ensure the technical feasibility of subprojects; the willingness of the ICIs to participate in the Project; the viability of the credit delivery system; and the future of the UCF Credit Fund. Five of these issues are discussed briefly below, and in more detail in the full Technical Analysis prepared by the consultants during the Project's design phase. (The Consultant's report is available from USAID/Bolivia.) The sixth issue, the need to target investment financing, as noted above, is addressed in detail in Section III.D.2.d. "Promotion of Investment in Priority Market Towns."

1. Investment Credit Demand

Three examinations of Bolivia's investment credit demand for 1986 to 1990 were recently undertaken: by the MACF Project Development Committee during the intensive review period, by a group of experts analyzing the Bolivian financial sector for the Strengthening of the Financial Sector Project to be started next fiscal year, and by the banking system itself (12 banks) in preparing a proposal for a USAID-funded Second Storey Bank. Each group identified a substantial backlog of current unmet credit demand in Bolivia, and all projected a growth in demand in the future. The reasons for this credit backlog are 1) the nascent recovery of the Bolivian economy after a period of hyperinflation - creating credit demand, coupled with the lack of credit financing available due to a decapitalized banking system, 2) the present low levels of confidence by the public in Bolivian banking savings instruments; and 3) a debt-burdened Central Government which cannot contribute much to previously decapitalized PCB refinancing lines. According to all concerned, it will take many months of economic stability and growth to restore liquidity to the banking system, and perhaps years of political stability to restore enough confidence in Bolivia to make deposit-financed long-term commercial loans a normal service of the banking system. Therefore, there is little doubt that there will be more demand for the Project's loan funds than there will be funds available.

This conclusion is confirmed by two currently available indicators of credit demand. 1) In the DDC Project, there is presently an unmet credit demand (i.e. subproject financing proposals which cannot be further developed for lack of funds) of 17 million dollars. This backlog is expected to expand to 25 million dollars by September 1986. A good proportion of these projects lie outside the La Paz/Cochabamba/Santa Cruz areas. 2) The Central Bank of Bolivia has identified 60 million dollars in unmet demand for investment credits between now and mid-1987 in its annual credit survey.

There is another factor strengthening investment credit demand. The MTCF Project's refinancing terms - in length, interest rate, and repayment conditions - are highly desirable and almost unique in Bolivia today. No other national-level program is offering significant amounts of medium to long-term (2-5 year) credit at this time on any terms.

Finally, since it appears that the banking system will not be in a position to reinstitute investment lending financed with deposits for some time, the MTCF Project fills an unmet need in the country's struggle for a faster rate of economic recovery.

2. Subproject Feasibility

While the technical feasibility of actual subprojects cannot be assessed before the MTCF Project begins and subloan proposals are received, special efforts were expended in project design to ensure that realistic reviews of the technical strength of proposed subprojects would take place. For instance:

a. All projects are based on entrepreneurial risk, with the investors having to finance 100% of investment costs. Investors will seek the most appropriate technical solutions for their local environments, to maximize their chances of success/profit. They will be helped in this by UCF and technical assistance staff.

b. The evaluation criteria have been elaborated in such a way that questions on technical issues will be raised early in the project consideration process.

c. UCF staff and the Project's TA team will be aware of what technologies and technical practices are appropriate in the Bolivian context. Operating projects at the correct technological level, combined with consideration of cost, maintenance, and supply factors related to technical inputs, will be a concern of the UCFs and their advisors.

d. Project-financed subprojects will undergo regular evaluation during their implementation - by the UCFs, by the ICIs, and by the TA advisors. Technical help can be provided at any stage necessary through the long or short term technical assistance available from the Project's TA contractor and the UCF staff.

3. ICI Participation in the MTCF Project

Given that the ICIs are presently operating at about 20 percent of their capacity, all expressed a desire to work with the MTCF Project. It is easy to understand the ICIs' interest, since the combined DDC and MTCF Project funds plus reflows will generate significant new income for the banks.

As noted elsewhere in the Project Paper, the participation of local banks in the credit system of the DDC Project was largely passive. The ICIs were content to check the collateral of the potential borrower, and loan on that basis alone - leaving to the UCF the determination of the financial viability of the actual subproject. There was no problem in placing loans with ICIs, who were attracted by the four percent spread offered by the program.

Interviews with ICIs that participated in the DDC Project indicated that their major concerns with continued association with the MTCF Project were 1) the disbursement rate, which had been slow, leaving them with dissatisfied clients, and 2) lack of information on where their proposed loans stood at all stages (with the UCF, and, if so, at what stage of approval - with the PCU, and, if so, when would the decision be made, etc). Both these concerns have been addressed in the design of the new project. Under the MTCF Project, both PL 480 and USAID disbursements to the UCF Credit Fund will be prompt, a processing schedule for loan requests will be adhered to, and a regular reporting schedule will be in place. The next step will be to include the ICIs in the UCF planning process. This effort will include ICI participation in the preparation of annual UCF investment plans, the extension of technical assistance to the ICIs, and the development of incentives to encourage ICIs to work more actively to bring development projects into their loan portfolios.

Competition will be an important factor in determining which banks receive the majority of Project credit funds. The UCFs will encourage ICIs to compete for these funds by awarding more refinancing to those institutions which finance higher percentages of loans with their own deposits, actively seek developmentally oriented projects, respond to proposed loan requests quickly, and supervise loans which are approved.

4. Viability of the Investment Credit Delivery System

There is no doubt that the proposed credit delivery system can function effectively, since it is a refinement of the system that served the DDC Project well. Based on suggestions from the last DDC evaluation, DDC project managers, and the MTCF Project design team, this system will be improved and expanded during the life of the new project, with the changes guided and monitored by the Project-provided technical assistance team.

Within the existing credit delivery structure are the institutions and the trained personnel which supported the system as a whole during the DDC Project. This personnel will remain in place as a base on which to build MTCF credit activities. While some of the existing institutions are still in a nascent stage (a few UCFs), there is no doubt that the system itself is tested, structurally sound, and able to incorporate the improvements included in the follow-on project.

5. Institutionalization of the UCF Investment Financing System

At present, the UCF Credit System is a new (3 years old) *ad hoc* arrangement. Although it is functioning relatively well now, and is expected to improve in efficiency under the MTCF Project, the question remains as to its post-Project form. Two choices have been considered:

a. Institutionalize the PCU as an independent financing entity.

b. Fold the system into a new development entity, such as the proposed Second Storey Bank or a reconstituted DCB Development Department.

Rather than attempt now to set up a permanent entity based on the PCU to manage UCF credit programs, it has been decided that the Project should leave the credit system as it stands (for probably up to two years). This means the PCU and the PL 480 Secretariat will continue to share responsibility for the management of the UCF Credit Fund - the PCU to set policies and approval procedures, and the Secretariat to participate in the approval of investment projects and to handle disbursements. During the life of the project, a decision will be taken on the form the PCU will have in the future. This decision will be based on whether any effective new refinancing entities are established by the GOE into which the UCF Credit Fund might be folded, and on the way in which the PCU evolves during the Project.

B. Institutional Analysis

Four key institutions will carry out the day-to-day activities of the MTCF Project. Two of these institutions were created by the DDC Project (PCU, UCFs); one set, the banks, participated in the DDC Project from an independent private sector base; and the final entity, the PL 480 Secretariat, is a GOB office which has played an important role in the DDC Project and other ICI credit activities.

Since these four institutions are not only already in existence, but have a record of success in carrying out loan functions similar to those of the MTCF Project, this Institutional Analysis will focus only on the areas in which each organizations must improve in order to carry out its Project role (with the exception of PL 480 Secretariat, which needs no changes). Other aspects of PCU, UCF, ICI, and PL 480 make-up, status, performance to date, and responsibilities are found in the Components section, III.D., of this Project Paper. Descriptions of each UCF are given in Annex 7. A list of the ICIs which participated in the DDC Project, showing the amount and departmental locations of the subprojects they financed, is found in Annex 8.

1. Project Coordination Unit (PCU)

a. Weaknesses

The chief weaknesses of the PCU, as they relate to the content of the MTCF Project, are the following:

- Insufficient experience in investment planning.

- Need for improved knowledge of subproject identification and evaluation methods, particularly the marketing and administrative aspects of subprojects.

- Inadequate experience in provision of follow-up support and administrative/managerial assistance to UCFs.

- Virtually no experience in *ex post* evaluation.

- Need for more collaboration with participating ICIs. (Loans are made directly to the ICIs by the PCU.)

- Need to accept a heightened degree of responsibility for its actions.

b. Solutions

Some of the weaknesses listed above are actual and some are only potential, because the PCU did not perform as wide a variety of tasks under the DDC Project as it will under the new MTCF Project. The present PCU staff is well motivated and has the potential, with training, to discharge most of its new responsibilities. However, the necessary expertise in financial management does not presently exist within the PCU and an additional person must be hired to handle this area. The expertise for planning and programming on an annual basis does exist, although it has rarely been brought into play. Since such expertise will now assume major importance, the PCU needs to appoint a regional planner to help the present PCU employees discharge this function. A banking expert will also be added to the PCU staff to help improve the functioning of the UCF Credit System.

The weaknesses not offset by the hiring of expert staff will be remedied through the provision of technical assistance, both long and short-term. The PCU has begun to develop its capacity to evaluate projects, but this skill needs further improvement. Subloan follow-up and the provision of assistance in business management to UCFs and sub-borrowers are additional new tasks. No present PCU employee has the background or the expertise to provide, or to train others to provide, specific business management help. The same holds true for ex post evaluations. Project-funded technical assistance, described under Component II, "Institution Building", Section III.D.3., is designed to remedy these shortcomings.

c. Staffing Requirements of the PCU

It is important that the PCU be effective without becoming overly bureaucratic and without centralizing too much of the UCF Credit Fund's operations. To discharge its expanded duties under the MTCF Project, the PCU will retain its Director, and three of its five project development specialist positions, and add the following five new positions:

- An MTCF Project Chief.
- A Financial Analyst.
- An Accountant.
- A Regional Planning Specialist.
- A Banking Specialist.

These experts will be assisted by three long-term (24 month) advisors in the fields of development banking, marketing, and small enterprise development.

2. The UCFs

A brief description of each UCF's administrative structure and loan performance to date is found in Annex 7. Also, a table summarizing all loans made under the DDC Project (through June 1986) is included in Annex 9. This latter table shows each loan's impact factors, productive sector, total loan value (and its proportion of equity, ICI, PL 480, and USAID financing), and the UCF that made the loan. The table below summarizes UCF loan activity under the DDC Project, through June 1986. A total of 103 loans were placed, valued at almost $16 million. The average loan amount was $155,000. The median value was $100,065. Loans ranged in size from $8,084 to $1,069,112.

Loans Placed Under DDC Project Through June 1986

UCF	No. of Loans	Total Loan Value (US$)
1. Santa Cruz	24	4,651,875
2. Cochabamba	25	2,840,438
3. Tarija	7	2,700,305
4. Chuquisaca	15	2,587,546
5. Beni	9	2,464,496
6. La Paz	11	2,280,754
7. Potosi	5	321,186
8. Oruro	7	126,599
TOTALS	103	15,973,219

a. Weaknesses

As mentioned in other parts of this Project Paper, the institutional capacities of the UCFs vary greatly, from a beginning level in Potosí to full-fledged development capabilities in Santa Cruz and Chuquisaca. Despite this variation from department to department, UCF weaknesses can be described, in general, as follows:

- Lack of experience in establishing investment priorities and preparing annual investment plans.

- Need for improvement in sub-project identification and development, particularly in investigating the marketing aspects of possible investments.

. Need to develop procedures for monitoring the subprojects they help develop and for providing business management assistance to investors who require it.

. Need to work harder to establish good working relationships with their DDC planning departments and with ICI development lending departments.

As might be expected, there is a considerable overlap between the specific institutional weaknesses of the PCU and the more general weaknesses of the UCFs. This is normal, since the PCU is the principal source of technical assistance for the UCFs, and therefore where the PCU is weak, so usually are the UCFs.

b. Solutions

The solutions to the UCF weaknesses outlined in the above section lie in proper staffing, training of staff, and monitoring of performance - all of which are scheduled parts of the MTCF Project. Most of the 120 months of project-funded, long and short term technical assistance is directed toward bringing all UCFs to full performance levels. The technical assistance inputs are described in Section III.D.3.e. of this Paper. The UCF staffing needs, as identified during the institutional analysis of the Project, follow.

c. Staffing Needs of the UCFs

The present staffing pattern of each UCF is described in Annex 7. However, given the variations that exist among the eight UCFs, this section will specify what the staffing pattern for the ideal UCF should be rather than analyze each institution. The minimum professional staff needed to carry out a UCF's strengthened role as a development intermediary is four persons. These employees should provide expertise in banking, project development, financial analysis/accounting, and business management or industrial engineering. Depending on the extent of each UCF's responsibilities, the basic pattern can be expanded.

3. Intermediate Credit Institutions (ICIs)

As noted earlier, the ICIs have tended to be passive participants in the DDC Project, earning their four percent spread by assuming all loan risk, and hedging this risk by requiring 200-300 percent collateral for each loan refinanced. Under the MTCF Project, the ICIs will be encouraged to assume a more active posture in developing and monitoring loans, and in providing assistance to sub-borrowers. They will be helped to acquire the capacities to assume this more active posture through association with UCF Project promotion and development activities and by other training opportunities designed especially for their needs, funded by the grant portion of the Project.

The ICIs' active participation will also be encouraged through including them in the planning process leading to each UCF's annual investment plan, and by opening two-way channels of information between them and the UCFs. The latter will consist of regular written reports from the UCFs and frequent direct contact with them. In return, the ICIs will be required to submit monthly reports of subloan activities to the UCFs.

A final encouragement for more active ICI participation in the Project will be the placement of larger amounts of loan funds with those ICIs which use a larger portion of their own deposits for subproject financing, and which offer assistance to, and supervision of, borrowers once subloans are made. Unless the ICIs have a high default rate, or otherwise perform ineffectively, their active collaboration with the Project will earn them a greater chance to leverage their own resources with Project monies.

It should be noted that ICI participation in the DDC Project was exceedingly broad: twelve of seventeen national level financial instutuions (the regular banks plus the savings and loan system and investment banks) used DDC credit resources. All participants have expressed interest in continuing to place funds under the MTCF Project, and it is likely that more regional branches of the banks will seek to join in. Tables showing the participation of the Bolivian private financial sector in the DDC Project, as well as USAID, PL 480, and owner equity contributions, divided by UCF region, are found in Annexes 8 and 9.

4. PL 480 Secretariat

The PL 480 Secretariat was established within the GOB in 1978 as part of AID's first PL 480 Title III Agreement with Bolivia. Instead of assigning local currency generations directly to national ministries, as was often done in other countries' Title III programs at that time, a central GOB body - the PL 480 Secretariat - was established to manage all PL 480 funds. The Secretariat's mandate is to assess subprojects for funding under the PL 480 Program, and, once these Projects are approved by USAID, monitor and evaluate their progress. After the Secretariat makes the decisions on fund use, actual disbursements are effected by an independent entity of the Ministry of Finance. The PL 480 Secretariat system has worked so well, and has been evaluated so favorably, that local PL 480 Secretariat staff have gone to Costa Rica and Haiti to advise the Governments of those countries on setting up similar systems to manage their Title III Programs.

During the last two years, the Secretariat has begun channeling funds for credit financing directly to intermediate credit institutions. The Secretariat has established trust funds with selected private commercial banks, which are used to finance credit to campesinos managing small and medium-sized farms, to producers' associations, and to individual investors. In the trust fund scheme, the ICIs have credit approval up to a specified amount, and the Secretariat monitors their management of the trust funds on an ex post facto basis, taking whatever actions are necessary - including cancellatgion of trust fund agreements - to ensure that the funds are used correctly.

The Secretariat has also participated in all loan approvals (103 to date) under the DDC Project. The DDC Project financed the foreign exchange costs of subprojects whereas Title III funds were used to finance local currency costs. The current procedure involves UCF, PCU, PL 480, and finally USAID approval, in that order. USAID has rarely turned down a project that has passed PL 480 scrutiny. Under the MTCF Project, this approval chain will be abbreviated - initially by combining PL 480 and PCU approvals, and - when the UCFs and PCU have proved their abilities to operate efficiently under the new Project guidelines - by assigning individual UCFs credit approval limits, and having the PCU/PL 480 joint committee approve projects over those limits.

To take on the expanded responsibilities connected with managing MTCF and PAPO-related ICI credit programs, the PL 480 Secretariat is currently undergoing a staff reorganization. It already has well-functioning systems for fund disbursement and collection in place.

Given the PL 480 Secretariat's respected record in project financing and evaluation, there is every reason to have MTCF Project resources co-managed by the PCU and the Secretariat as described earlier in this Project Paper. In addition to its important loan approval, accounting, and financial control roles in the MTCF Project, the PL 480 Secretariat will review and approve, with USAID, the annual investment plans of the UCFs in order to 1) participate in the setting of investment allocations, priorities, and criteria, and 2) agree upon a disbursement schedule for each quarter of each year of the Project. PL 480 staff will also participate in both evaluations scheduled for the Project - mid-term and end-of-project (EOP). The experience the Secretariat has gained in managing over $100 million in local currency programs since 1978 will be put to good use in meeting these responsibilities.

C. Financial and Economic Analysis

This section examines the viability of the eight UCFs and of the PCU, and analyzes the economic impact of the Project.

1. Financial Viability of the UCFs

To assess the financial viability of the UCFs, cash flows were prepared showing income from their 3% interest rate spread against operating costs over the 5-year life of project (1987-91). Since the DDCs are currently making a financial contribution to each of the UCFs to cover their operating costs, it is assumed that they will make up any deficits left after interest rate spreads are used, but only up to the level of support now being provided and only for as long as necessary. The current level of DDC support to each UCF is shown in Table 1.

Table 1
Contributions by the DDCs to their UCFs

UCF	Amount in U.S.Dollars
Santa Cruz	92,000
Chuquisaca	72,000
La Paz	40,000
Oruro	40,000
Potosi	40,000
Tarija	34,000
Cochabamba	10,000
Beni	6,000

TABLE 2
UCF CASH FLOWS

	YEARS						
	1985	1986	1987	1988	1989	1990	1991
SANTA CRUZ							
Disbursement (1st round)	650.8	3757.8	930.0	930.0	810.0	810.0	0.0
Principal Repayments (I)			216.9	1469.5	1779.5	1072.6	890.0
Disbursement (2nd round)				216.9	1469.5	1779.5	1872.6
Principal Repayments (II)						72.3	562.2
Outstanding Portfolio	650.8	4408.6	5121.7	4799.1	5299.1	5943.7	6364.1
Total Fees (3%)			132.3	153.7	144	159	190.9
Operating Budget			91.9	108.6	125.2	141.7	148.8
Operating Surplus (Deficit)			40.4	45.1	18.8	17.3	42.1
DDC Contribution			0.0	0.0	0.0	0.0	0.0
Additional Funding Needs			0.0	0.0	0.0	0.0	0.0

	YEARS						
	1985	1986	1987	1988	1989	1990	1991
ORURO							
Disbursement (1st round)	0.0	310.8	465.0	465.0	810.0	810.0	0.0
Principal Repayments (I)			0.0	103.6	258.6	413.6	580.0
Disbursement (2nd round)				0.0	103.6	258.6	413.6
Principal Repayments (II)						0.0	34.5
Outstanding Portfolio	0.0	310.8	775.8	1137.2	1792.2	2447.2	2246.3
Total Fees (3%)			9.3	23.3	34.1	53.8	73.4
Operating Budget			61.9	65.0	75.2	79.0	83.0
Operating Surplus (Deficit)			(52.6)	(41.7)	(41.1)	(25.2)	(9.6)
DDC Contribution			40.0	40.0	40.0	25.2	9.6
Additional Funding Needs			12.6	1.7	1.1	0.0	0.0

COCHABAMBA	1985	1986	1987	1988	1989	1990	1991
Disbursement (1st round)	410.8	2426.9	930.0	930.0	810.0	810.0	0.0
Principal Repayments (I)			136.9	945.9	1255.9	1429.0	890.0
Disbursement (2nd round)				136.9	945.9	1255.9	1429.0
Principal Repayments (II)						45.6	360.9
Outstanding Portfolio	410.8	2837.7	3630.8	3751.8	4251.8	4843.1	5021.1
Total Fees (3%)			85.1	108.9	112.6	127.6	145.3
Operating Budget			75.2	91.9	96.5	108.6	114.0
Operating Surplus (Deficit)			9.9	27.0	16.1	19.0	31.3
DDC Contribution			0.0	0.0	0.0	0.0	0.0
Additional Funding Needs			0.0	0.0	0.0	0.0	0.0

TARIJA	1985	1986	1987	1988	1989	1990	1991
Disbursement (1st round)	886.3	1824.9	930.0	930.0	810.0	810.0	0.0
Principal Repayments (I)			295.4	903.7	1213.7	1228.3	890.0
Disbursement (2nd round)				295.4	903.7	1213.7	1228.3
Principal Repayments (II)						98.5	399.7
Outstanding Portfolio	886.3	2711.2	3345.8	3667.5	4167.5	4864.4	4803.0
Total Fees (3%)			81.3	100.4	110.0	125.0	145.9
Operating Budget			92.2	96.8	108.6	114.0	119.7
Operating Surplus (Deficit)			(10.9)	3.6	1.4	11.0	26.2
DDC Contribution			10.9	0.0	0.0	0.0	0.0
Additional Funding Needs			0.0	0.0	0.0	0.0	0.0

BENI	1985	1986	1987	1988	1989	1990	1991
Disbursement (1st round)	512.1	1714.8	930.0	930.0	810.0	810.0	0.0
Principal Repayments (I)			170.7	742.3	1052.3	1191.6	890.0
Disbursement (2nd round)				170.7	742.3	1052.3	1191.6
Principal Repayments (II)						56.9	304.3
Outstanding Portfolio	512.1	2226.9	2986.2	3344.6	3844.6	4458.4	4455.7
Total Fees (3%)			66.8	89.6	100.3	115.3	133.8
Operating Budget			58.6	79.0	82.9	91.9	96.5
Operating Surplus (Deficit)			8.2	10.6	17.4	23.4	37.3
DDC Contribution			0.0	0.0	0.0	0.0	0.0
Additional Funding Needs			0.0	0.0	0.0	0.0	0.0

CHUQUISACA	1985	1986	1987	1988	1989	1990	1991
Disbursement (1st round)	538.8	1966.6	930.0	930.0	810.0	810.0	0.0
Principal Repayments (I)			179.6	835.1	1145.1	1275.5	890.0
Disbursement (2nd round)				179.6	835.1	1145.1	1275.5
Principal Repayments (II)						59.9	338.2
Outstanding Portfolio	538.8	2505.4	3255.8	3530.3	4030.3	4650.0	4697.3
Total Fees (3%)			75.2	97.7	105.9	120.9	139.5
Operating Budget			91.9	96.5	108.6	125.2	131.5
Operating Surplus (Deficit)			(16.7)	1.2	(2.7)	(4.3)	8.0
DDC Contribution			16.7	0.0	2.7	4.3	0.0
Additional Funding Needs			0.0	0.0	0.0	0.0	0.0

LA PAZ	YEARS 1985	1986	1987	1988	1989	1990	1991
Disbursement (1st round)	288.4	1740.7	930.0	930.0	810.0	810.0	0.0
Principal Repayments (I)			96.1	676.4	986.4	1200.2	890.0
Disbursement (2nd round)				96.1	676.4	986.4	1200.2
Principal Repayments (II)						32.0	257.5
Outstanding Portfolio	288.4	2029.1	2863.0	3212.7	3712.7	4276.8	4329.6
Total Fees (3%)			60.9	85.9	96.4	111.4	128.3
Operating Budget			91.9*	96.5	101.3	106.4	111.7
Operating Surplus (Deficit)			(31.0)	(10.6)	(4.9)	(5.0)	16.6
DDC Contribution			31.0	10.6	4.9	0.0	0.0
Additional Funding Needs			0.0	0.0	0.0	0.0	0.0

* UCF staff will be reorganized and reduced.

POTOSI	YEARS 1985	1986	1987	1988	1989	1990	1991
Disbursement (1st round)	0.0	339.6	465.0	465.0	810.0	810.0	0.0
Principal Repayments (I)			0.0	113.2	268.2	423.2	580.0
Disbursement (2nd round)				0.0	113.2	268.2	423.2
Principal Repayments (II)						0.0	37.7
Outstanding Portfolio	0.0	339.6	804.6	1156.4	1811.4	2466.4	2271.9
Total Fees (3%)			10.2	24.1	34.7	54.3	74.0
Operating Budget			61.9	65.0	79.0	82.9	87.1
Operating Surplus (Deficit)			(51.7)	(40.9)	(44.3)	(28.6)	(13.1
DDC Contribution			40.0	40.0	40.0	28.6	13.1
Additional Funding Needs			11.7	0.9	4.3	0.0	0.0

TABLE 3

DDC CONTRIBUTIONS TO THE UCFs OVER LOP*
($000)

	1987	1988	1989	1990	1991	Total
La Paz	31.0	10.6	4.9	--	--	46.5
Chuquisaca	16.7	--	2.7	4.3	--	23.7
Tarija	10.9	--	--	--	--	10.9
Oruro	40.0	40.0	40.0	25.2	9.6	154.8
Potosí	40.0	40.0	40.0	28.6	13.1	161.7

						$397.6

* Not all DDCs need to contribute to UCF support costs in order to ensure the UCFs' financial viability during the MTCF Project. Even though all DDCs contributed some funds during the DDC Project, only five need to continue top do so under the new Project.

The assumptions used to prepare the UCF financial projections in Table 2, pages 65 to 68, were:

1. Project disbursements include $17.4 million in 1985-86 from the DDC Project and $26 million ($21 million from MTCP and $5 million from PAPO) distributed equally over the four years of 1987 through 1990.

2. Principal repayments (I) are calculated on the basis of an average one-year grace period followed by a three-year repayment period. Thus, repayments received in 1987 relate to loans made in 1985.

3. For the sake of simplicity, it is assumed that all disbursements and receipts (fees and principal repayments) are executed at the end of the year. Similarly, loan repayments (reflows) are assumed to be re-lent in the year following their receipt.

4. Loan funds are assumed to be distributed equally among the eight UCFs, except that Oruro and Potosi are given half shares in 1987 and 1988, recognizing their current weakness. They each receive a full share of disbursements in 1989 and 1990.

5. In some instances, 1987 UCF operating costs include the purchase of capital equipment. Assumptions regarding the UCFs growing in size are included, as is inflation in costs.

6. Projections include no provision for defaults as the risk of lending is assumed by the ICIs. There is, of course, some level of risk in the event that the ICIs go bankrupt or, for some other reason, fail to repay their loans to the Fund, but those risks are considered minimal.

7. The DDC contributions to the UCFs are assumed not to exceed the amounts committed by the various DDCs in 1986 (Table 1).

The key assumption, of course, is the level of loans placed by each UCF. To the extent that a UCF is successful in promoting more loans than assumed, it will cover its operating costs more easily with its 3% spread and generate a surplus which can be used for additional, discretionary UCF expenditures (such as for more office equipment), or can be transferred to its DDC to help finance other worthwhile DDC ventures. To the extent that a UCF is not able to promote the level of loans assumed, it may require (additional) DDC support to cover its expenses.

The cash flows in Table 2 show that the eight UCFs can be divided into three categories: (1) those which easily cover their operating costs with their 3% spread, require no further support from their DDCs and generate a net surplus (Santa Cruz, Cochabamba, and Beni); (2) those which still require DDC support for a few years, but at a lower level than that already being provided, which declines over time (La Paz - 3 years, Chuquisaca - 4 years and Tarija - 1 year), and (3) those which will continue to require DDC financial support during the life of the project, unless more funds are channelled to the UCFs by other donors and/or these UCFs successfully promote more loans than assumed (Potosi and Oruro). It should be noted that the DDC contributions to these two UCFs decline from $40,000 each in 1987 to $13,100 and $9,600, respectively, by 1991 (See Table 3, page 69). Since one of the Project's assumptions is that the DDCs will not be required to contribute more to their UCFs than they are now doing, these two UCFs will also require additional outside assistance from 1987 to 1989 totalling $32,700. It is currently planned to provide these funds from the Project Grant, however, they could also be provided from the interest rate spread going to capitalize the UCF Credit Fund.

Given the relatively poorer prospects of the Potosi and Oruro UCFs, a decision will have to be made by 1989 - based on their progress in promoting investment loans - whether to subsidize their operations permanently at reasonably modest levels in view of the developmental needs in their regions (or perhaps raise the interest rate spread allocated to them to 3.5% or 4%), or to phase out their operations. The cash flows prepared using the 3% spread do show, however, that these two UCFs can come very close to financial self-sufficiency if they are successful in promoting the level of investment loans currently projected.

2. Financial Viability of the PCU

The PCU will be fully supported by the Project for three years. By the end of 1989, the UCFs should be functioning well, and the PCU's technical assistance function will have diminished. In addition, a decision will have been made, probably by no later than 1988, regarding the incorporation of the UCF Credit Fund into a new development lending organization or the permanent institutionalization of the PCU as the entity to manage that Fund. Whether incorporated into a new entity or not, the 1% spread allocated to the PCU should cover its operating costs beginning in project year four.

The PCU's operating budget during the life of the project is shown in Table 4.

TABLE 4

PCU OPERATING BUDGETS
(In $000's)

COST CATEGORY	YEAR 1	YEAR 2	YEAR 3	YEAR 4	YEAR 5	TOTAL ESTI. COST
1. Personnel Costs						
a. Salaries (1)						
- PCU Director	15.2	16.0	16.8	17.6	18.5	84.1
- MTCF Project Chief	13.8	14.5	15.3	16.0	16.8	76.4
- 3 Project Advisors	34.9	36.7	38.5	40.4	42.4	192.9
- Financial/ Administrative Analyst	11.6	12.2	12.8	13.5	14.2	64.3
- Banking Specialist (3)	11.6	12.2	12.8	-	-	36.6
- Regional Planner (3)	11.6	12.2	12.8	-	-	36.6
- Project Accountant	9.2	9.6	10.0	10.6	11.2	50.6
b. Benefits, bonuses, insurance indemnity (33% of total salaries for 5 years, i.e. of $487.7)	35.6	37.4	39.3	23.7	24.9	160.9
2. Travel and Per Diem	57.0	57.0	57.0	25.3	25.3	221.6
3. Logistic Support (2)	52.4	52.4	52.4	23.3	23.3	203.8
4. Office Supplies	46.6	46.6	36.6	20.7	20.7	181.2
5. Other Direct Costs	1.6	1.6	1.6	0.7	0.7	6.2
TOTALS	301.1	308.4	315.9	191.8	198.0	1,315.2

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(1) An inflation factor of 5% p.a. has been built into each of the salary line items.

(2) This cost item includes office rent, office furniture/equipment for 3 new positions and 4 secretaries as support staff.

(3) These two positions are for initial 3 Project years.

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Table 5 shows the yearly cash flows for the PCU. During the first three years of the Project, the PCU will not receive the 1% spread (this spread will contribute to the capitalization of the UCF Credit Fund) because all PCU operating cost will be paid from Project funds. Therefore, the cash flows for those years are illustrative only. Beginning in year four, it can be seen that the 1% spread covers the PCU's operating costs.

TABLE 5

PROJECT COORDINATING UNIT CASH FLOW
(US$000)

Portfolio Outstanding	1986	1987	1988	1989	1990	1991
Santa Cruz	3757.8	5121.7	4799.1	5299,1	5943.7	6364.1
Oruro	310.8	775.8	1137.2	1792.2	2447.2	2246.3
Cochabamba	2837.7	3630.8	3751.8	4251.8	4843.1	5021.1
Tarija	2711.2	3345.8	3667.5	4167.5	4864.4	4803.0
Beni	2226.9	2986.2	3344.6	3844.6	4458.4	4455.7
Chuquisaca	2505.4	3255.8	3530.3	4030.3	4650.0	4697.3
La Paz	2029.1	2863.0	3212.7	3712.7	4276.8	4329.6
Potosí	339.6	804.6	1156.4	1811.4	2466.4	2271.9
Total Outstanding Portfolio	16718.5	22783.6	24599.5	28909.5	33950.0	34188.9
PCU Fee (1% spread) 339.5			167.2	227.8	246.0	289.1
Operating Budget		301.1	308.4	315.9	191.8	198.0
Surplus/(Deficit)		(133.9)	(80.6)	(69.9)	97.3	141.5

Economic Considerations

1. Overview. The MTCF Project will finance private sector investments with significant socio-economic benefits. These benefits will include employment generation, foreign exchange earnings or savings, and the creation of demand for Bolivian agricultural products. It is intended that initial investments in rural market towns will stimulate additional investments in related productive activities, both to increase local agricultural production and in related processing activities. This will lead to the development of new centers of production outside of Bolivia's three main commercial centers.

Because the MTCF Project will finance investments yet to be identified, promoted, and developed, it is not possible at this time to estimate the overall financial and economic return the Project will generate. However, specific financing criteria will be used to help insure that both financially profitable and socio-economically beneficial subprojects will be chosen for financing. Assuming these criteria are applied intelligently and that subprojects are well designed and implemented, it seems clear that the overall socio-economic returns the MTCF Project will generate not only outweigh the Project's financial investment costs, but also make the expenditure of grant funds in technical assistance and training economically worthwhile.

2. Demand Pull

One of the bases of the MTCF Project is the employment of the "demand pull" principle to increase private sector investment in market towns in support of Bolivia's economic recovery. USAID/Bolivia refers to the "demand pull" principle as the stimulation of increased production of primary products (such as agricultural produce) in response to the creation of new, remunerative markets for those products. For instance, during the past four years, Bolivia's barley production has increased significantly in response to the demand by Bolivian breweries for locally produced barley. When these breweries could no longer import the malted barley they needed from Europe, significant investments were made by farmers and the breweries themselves to increase local barley production. When the "demand pull" principal works well, farmers' incomes and production increase, related investment is generated, and new commercial centers often evolve.

3. Case Studies

Three examples of the "demand pull" principle as applied under the DDC Project are described below.

Charcas Glorieta, a long established hat factory in Sucre, decided to expand its production of hats. Under the DDC Project, $600,000 was borrowed to help finance a $1.1 million expansion of the factory. The objective of the expansion was to increase the company's share of the Bolivian hat market up to 49%. This investment in plant expansion is having several economically beneficial effects. Besides increasing plant workers from 89 to 200, over 600 people will benefit indirectly from the Project. Most of these people are artisans who, according to Bolivian tradition, will purchase hat forms produced by Charcas Glorieta for hand finishing in accordance with local styles. Other indirect beneficiaries include sheep farmers, who are in the process of increasing the production of wool in response to the factory's increased demand. They are also beginning to produce higher quality wool which until now has had to be imported from Argentina. Thus, the Project, in addition to the modest foreign exchange it will earn for Bolivia from sales of hats to Peru, will also help Bolivia save foreign exchange previously spent on wool imports.

La Lana is a small knitwear manufacturing enterprise in La Paz. In order to increase its production, the company borrowed $160,000 to help finance a total investment for expanded facilities of $265,000. The factory purchases llama and alpaca wool from small producers on the Altiplano. The investment in plant expansion benefits over 60 workers in the knitting factory and numerous Altiplano herders who now have a larger and more secure market for their wool (estimated purchases of over US$450,000 per year). The factory is also expected to increase its exports to over US$700,000 per year.

PETHOSAM is a new tomato processing facility set up in Santa Cruz by a producers association which includes the tomato growers of the region. A $527,000 dollar investment in the facility was partially financed by a $319,000 loan under the DDC Project. The objective of the Project is to meet 37% of the current national demand for tomatoes and tomato products, mostly in the areas of Santa Cruz and Cochabamba. The factory currently employes 43 people and it is providing a reliable market for 900 tomato farmers. Its production of tomato products is saving Bolivia over $140,000 per year in foreign exchange previously spent to import tomato products for Santa Cruz and Cochabamba.

D. Social Soundness Analysis

1. Project Background

The MTCF Project will build on the lessons learned from the DDC Project. One of the reasons for both projects is that no Bolivian national level entities recently have been, or now are, making medium-term investment credit available in rural areas. Recognizing this credit need, the DDC Project was designed and the UCFs created within it

- to complement and stimulate the activities of the commercial banking sector. The MTCF Project will continue to develop the UCFs to fill this gap, but in a more targeted way.

Under the DDC Project, the strategy for satisfying the large existing credit demand has been straightforward and simple: announce the availability of medium term investment credits for various types of productive subprojects, and wait for clients to arrive. Witness to the effectiveness of this approach is the present backlog of projects to be considered by the UCFs when funds are again available. The new MTCF Project will introduce more investment promotion by the UCFs and stricter criteria for subproject approval in order to maximize the developmental impact of the Project's credit fund, which can meet only a limited proportion of the existing credit demand.

The philosophy behind both projects relates to the Mission's "demand pull" strategy. This approach posits that increased demand for primary agricultural products is generated by strengthening markets through the establishment of new agribusinesses or the expansion of existing ones, and that this new demand stimulates farmers to increase their production. Where productive enterprises relying on primary-level inputs are developed close to their sources of supply, the production (i.e. supply) response is enhanced even further. This occurs because of better market information, savings on middleman costs and transportation, and a closer match between the input quality wanted and provided. In addition, other benefits of the new investments are concentrated in the region - more jobs and income at both the primary and secondary levels, more money in circulation for commerce and taxes, and so forth.

The Project will attempt to measure the impact of its investments, and will compare the "priority market town" benefits and costs with those of non-targeted investments. Both are expected to be substantial.

2. Beneficiaries

From the Project's investment activities, one group will benefit directly, and two other groups will benefit at a step removed. The direct beneficiary group is composed of the individual entrepreneurs whose investment ideas are funded by the Project. The indirect beneficiaries are subproject employees and the individual producers, often small farmers, who will provide the raw materials and other inputs for the funded enterprises.

In some cases, the direct and indirect beneficiary groups will be one and the same, as when investment credits are given directly to a group of producers. This has been done under the DDC Project and will be continued under the MTCF effort. This process can also be facilitat , by working through secondary level organizations which can serve as intermediaries for reaching smaller primary organizations. (More information on these possiblities is provided in the Institution Building Component Section, III.D.3., of the Project Paper.)

There are also beneficiaries without direct or secondary linkages to the Project, whose gains will come from the ripple or multiplier effects of the Project investments. Examples are those owning or working for transportation companies engaged to move Project-related raw or finished materials, and shopkeepers with an expanded clientele.

To ensure that the first and second tier beneficiaries in fact benefit to the degree expected from Project-funded activities, subproject selection criteria must be strictly applied. These criteria are concerned with financial and socio-economic impact, and include the following measurable factors:

. Number of jobs created

. Increased income, defined as total payroll and local purchases for five years

. Increased local production, defined as the total local value added for five years

. Location: with a secondary city scoring low, a market town scoring medium, and a rural location scoring high.

In adhering to these criteria, priority will be given to those investments that will have a significant social and economic impact in rural areas and nearby towns.

3. Social Feasibility

As has been frequently noted, the MTCF Project is a continuation and a refinement of the successful DDC Project. In that sense, its feasibility already has been tested and proved. However, two factors may impinge on its continued viability - political intrusion, and reaching the poorest target groups, campesino producers.

One of the concerns in project design has been possible political pressure for the approval of particular subloans at the departmental level. With the shortage of credit available, political interest is likely to arise in the local distribution of monies regardless of whether the politically-backed subprojects meet MTCF criteria. This potential problem was addressed in the MTCF Project design. Under the DDC Project, where all loan proposals were approved in La Paz, the UCFs could effectively counterbalance any improper political interference by claiming that the PCU might reject questionable proposals. Under the MTCF Project, this veto power - albeit in a continually decreasing proportion - will continue to be important, not only in strengthening the UCFs, but also in preserving the overall integrity of the Project. More importantly and over time, the annual planning exercises and quarterly project portfolio reviews will help prevent such political interference from occurring.

In regard to reaching the poorest potential beneficiaries in the Project, the campesino producers, the Project will seek to stimulate the participation of producers associations (PAPOs) and private voluntary agencies (PVOs). Both types of groups exist already in the countryside, helping campesino organizations to finance, process, store, and transport agricultural produce, and to introduce new technologies or inputs into local production. The MTCF and PAPO Projects include schemes to encourage these intermediaries to seek project loan funds. Money for spreads to finance their participation as technical assistance providers to their clients is included in the MTCF Project. This Project will also actively seek a linkage with the PRE/W-sponsored guarantee fund now being designed for Bolivia, to help poorer groups meet ICI collateral requirements for project financing.

4. Impact

This Project's impact on the availablility of medium-term credit for productive rural investments has already been discussed. It is the only such credit facility available now, or likely to be available for some time.

The impact on borrowers, who will expand production and, consequently, their own incomes and investments in their enterprises, is also well documented. (The DDC loan list in Annex 9 for example). Without Project funding, most of these enterprises could not have been founded or grown.

There will be other impacts, both social and economic, to the MTCF Project. Jobs will be created and income generated in rural areas, helping make these areas more prosperous, and retaining some workers who would otherwise move to the cities. Since the DDCs will address certain infrastructure needs in the parts of their departments which are chosen for special investment attention, this, too, will benefit all rural dwellers in the area, while encouraging more investment.

In summary, the benefits of this Project should extend widely - geographically, by sector, and by economic class. The benefits vary from providing jobs and income to encouraging an equity participation by small producers and to underwriting growth outward from areas where investment is concentrated.

Finally, the continuing effects of the Project will be encouraged through the inclusion of all loan funds in a permanent revolving fund, which will finance an ever wider circle of activities.

E. ENVIRONMENTAL CONSIDERATIONS

The Market Town Capital Formation Project is primarily an investment promotion and financing project, directing development credit to rural and semi-urban areas. Secondarily, it is an institution building project, creating and strengthening a credit network to operate outside the major financial centers of La Paz, Cochabamba, and Santa Cruz.

It is only within the sub-projects funded by the Project that any environmental impact might occur. Most subloan activities are expected to take place in the agribusiness field and be of relatively modest size. However, at the suggestion of the AID Regional Environmental Officer, language will be included in all subloan agreements negotiated by the Intermediate Credit Insitutions using project funds to 1) prohibit the use of these funds for the purchase of pesticides, and/or 2) finance industrial projects which will generate wastes detrimental to the environment, for which there are no appropriate disposal plans.

The AID/W LAC Environmental Advisor approved an Initial Environmental Examination (LAC/DR-IEE-86-17) for this Project, with the designation of "Categorical Exclusion," on June 23, 1986.

VI. IMPLEMENTATION AND EVALUATION PLAN

A. Responsibilities

Implementation responsibilities under the Project will be as follows:

1. Project Coordination Unit

- Provide technical assistance, training and guidance to UCFs.
- Establish procedures for use of the UCF Credit Fund.
- Determine and approve the eligibility of loans for refinancing which are above UCF approval ceilings, through participation in the PCU Credit Committee.
- Keep financial records of the UCF Credit Fund.
- Help approve annual UCF investment plans and credit fund allocations.
- Prepare a Consolidated Annual Plan for submission to USAID and the PL 480 Secretariat.

2. Unidades Crediticio-Financieras (UCFs)

- Promote market town investments.
- Assist investors to develop rural investment projects.
- Assist ICIs to expand their development lending portfolios.
- Prepare, in cooperation with DDC Planning Departments, annual investment plans.
- Evaluate the eligibility of loans presented for refinancing under the UCF Credit Fund.

3. Intermediate Credit Institutions (ICIs)

- Evaluate the credit-worthiness of loans presented for refinancing under the UCF Credit Fund.
- Develop rural investment loans in cooperation with investors and UCFs.

- Handle disbursements and repayments under approved loans.

- Contribute an ever-larger percentage of subproject financing.

4. PL 480 Secretariat

- Approve, with the PCU and AID, the UCFs' Annual Investment Plans.

- Approve, with the PCU: a) all loans initially and b) eventually those loans over UCF approval limits.

- Approve, with USAID, annual reservations of funds for the UCF Credit Fund.

- Disburse funds to the UCF Credit Fund as required.

- Disburse to ICIs from the UCF Credit Fund and ensure repayment by ICIs.

- Participate in Project evaluations.

5. DDCs

- Assist UCFs in the preparation of annual investment plans.

- Provide operating cost support to UCFs as necessary.

6. USAID

- Participate in the review and approval of UCF Annual Plans, and the consolidated PCU Annual Plan.

- Approve, with the PL 480 Secretariat, reservations of funds for the UCF Credit Fund.

- For the initial period of the Project, exercise final approval for all subproject loans.

B. IMPLEMENTATION SCHEDULE

1st. Month

- Sign Project Agreement.

- Draft the PIO/T for the consulting firm to be hired to provide technical assistance.

- Prepare job descriptions for new PCU personnel.

- Prepare UCF training schedule for months 1-6 of the Project.

2nd. Month

- Advertise for, interview, and select additional PCU personnel.

- RFTP issued.

- Hold first informal seminars to brief local personnel on the nature and objectives of the Project.

- Begin designing both administrative and financial operating systems for subloan implementation.

- Arrange for short-term TA (90 days, months 3-5) to a) plan preliminary steps for UCF annual investment plan (AIP) preparation, including identification and promotion of "priority market towns," b) design standard forms to be used in subproject processing, c) perform other interim tasks until the LT TA team arrives.

3rd. Month

- Conditions precedent met.

- Contracts begin for the new PCU personnel.

- Preliminary design of methodologies for the preparation of annual investment plans (AIPs) by the UCFs completed by ST TA personnel.

- Seminars given on how to put AIPs together.

- Initiation of permanent activities related to follow-up of investment subprojects under implementation, beginning with those financed under the Departmental Development Corporations Project.

- Initial revision of Manuals related to identification, design, analysis, evaluation and follow-up of investment subprojects, and the printing of these revised manuals.

4th. Month

- UCFs design and submit draft 1987 Investment Plans to PCU (with help from ST TA contractors).

- UCFs begin efforts to formulate promotional plans for "priority market towns" - identified in AIPs (with help from ST TA contractors).

5th. Month

- PCU presents initial estimated disbursement requirements to USAID/Bolivia and PL 480 in order to implement the investment plans of the UCFs corresponding to the first trimester.

- PCU, USAID, and PL 480 review AIPs and provide feedback to UCFs.

- Selection of LT consulting firm.

6th. Month

- TA contract signing with expatriate consulting firm.

- Final AIPs in place. PCU consolidates them into PCU Annual Plan.

- Arrival of long-term consultants.

- Specification of additional short-term technical assistance requirements, based on approved AIPs, drawn up.

- Training schedule for next 6 months prepared in consultation with LT consultants.

- PCU Annual Plan approved by USAID and PL 480, and USAID and PL 480 agree on disbursement schedule for next 12 months.

7th. Month

- Specific products for which marketing studies are required, at both the regional and national levels, chosen.

- Intensive training begins.

- UCFs submit quarterly reports for months 4-6. Quarterly portfolio reviews take place.

- Initiation of permanent activities related to ex post evaluation of the investment subprojects financed under the DDC Project.

8th. Month

- First observational trips planned, to be carried out in month 11.

- Seminars continue.

- First product marketing studies are completed and reviewed.

9th. Month

- Internal review on the performance of both the financial and administrative operating systems of the UCFs completed. Formulation of recommendations.

- Promotional activities for "priority market towns" reviewed. Joint seminar.

10th. Month

- Internal review of the performance of the Development Divisions of the ICIs done. Recommendations made.

- UCFs submit quarterly reports for months 7-9. Quarterly portfolio reviews take place.

11th. Month

- First observational travel groups complete 7-10 day trips.

- Official determination made on which UCFs meet criteria to have direct loan approval authority granted to them.

- Loan approval ceilings assigned to appropriate UCFs.

12th. Month

- Observational travel group(s) issue(s) report and/or give seminar.

- All participants begin preparations for arrival of internal auditors at end of month 13.

- Informal reviews of Year One activities set up.

13th. Month

- First national round table to review Project performance and strengthen its internal coordination takes place.

- Audit of months 1-12 financial activities begins.

Years 2 - 5

- Interest rates and spreads continue to be under review with changes as necessary.

- USAID AND PL 480 make regular disbursements of funds based on PCU Consolidated Annual Plans.

- Independent loan approval limits are assigned to UCFs and revised upward as UCF performance warrants.

- Training continues, diminishing in frequency as Project progresses.

- Observational travel takes place, concentrated in Year 2.

- A decision is made (after Year 2) about the future form of the PCU.

- A mid term evaluation takes place in months 4 and 5 of Year 3.

- USAID, the PL 480 Secretariat and the PCU gradually relinquish participation in the loan approval process.

- Product studies completed, reviewed, and acted upon.

- "Priority Market Town" program regularly reviewed, refined and expanded.

- Other donor contributions to the UCF Credit Fund sought.

- A final evaluation begins in Month 10 of Year 5.

C. COMMODITY PROCUREMENT PLAN

Very little commodity procurement will be financed with AID funds: one vehicle and one small computer for each of 8 UCFs and the PCU. These items will be purchased directly by USAID/B from U.S. suppliers and turned over to the UCFs and the PCU. Local procurement of office equipment will be carried out directly by the PCU and the UCFs, using host country local currency contributions.

D. AID Monitoring and Project Reporting Requirements

1. Monitoring

A Project Coordinator will be hired (or assigned) to assist the USAID direct-hire Project Manager, who is also responsible for other projects. This person will handle all day-to-day project implementation matters in conjunction with the PCU. USAID monitoring of Project activities will be done by all members of the USAID Project Committee through frequent visits to the PCU, the UCFs and subproject sites.

2. Reporting

The UCFs will report quarterly to the PCU on the status of their portfolios (projects being prepared, projects for which lending decisions are pending, and projects being implemented). The PCU will summarize these reports, following UCF portfolio reviews, for submission to USAID. The PCU's quarterly reports will also include information on technical assistance and training activities. The ICIs will report monthly to the PL 480 Secretariat on the disbursement status of refinanced loans.

E. Evaluations and Audits

Two evaluations will be undertaken. The first at the end of 1988 will evaluate: a) the efficiency of the UCF Credit Fund mechanism; b) the progress achieved by the PCU and the UCFs in improving their operations; c) how the "priority market town" program is operating, and how it can be improved; d) the socio-economic impact of MTCF/DDC Project-financed investments; and e) the advisability of incorporating the UCF Credit Fund into an existing development finance institution, if one has been established, or alternatively the institutionalizing of the

PCU. Modifications will be made following the evaluation in technical assistance and training activities, refinancing mechanisms, planning for priority market town investments, investment promotion activities, subproject eligibility criteria and selection procedures, and the role of the PCU, if necessary.

The second and final evaluation will take place in 1991 and focus on the future of the UCF financing system and the socio-economic impact of MTCF project-financed investments.

Internal audits will be scheduled each year, to make sure the large amounts of money being handled are flowing properly, and to seek improved ways of handling this flow.

VII. CONDITIONS PRECEDENT AND NEGOTIATING STATUS

A. Conditions Precedent to First Disbursement

The normal legal opinion and designation of official GOB representatives will be required prior to disbursement of any grant or loan funds under the Project.

B. Conditions Precedent to Disbursement of AID Loan Funds

Prior to the first disbursement of loan funds, or to the issuance by A.I.D. of documentation pursuant to which disbursement will be made, Bolivia will, except as A.I.D. may otherwise agree in writing, furnish to A.I.D. in form and substance satisfactory to A.I.D.:

(i) Agreements between the Project Coordination Unit (PCU) and each Unidad Crediticio-Financiera (UCF), specifying the terms and conditions for the UCF's participation in the UCF Credit Fund (refinancing facility), including sub-project eligibility criteria, loan approval procedures, provision that all loan reflows, including reflows from the Departmental Development Corporations (DDCs) Project (511-W-065), shall be deposited in the UCF Credit Fund, and UCF implementation monitoring responsibilities.

(ii) Evidence of the DDCs' commitment to provide necessary operational cost support to the UCFs for as long as necessary during the life of the project.

(iii) A form agreement, to be executed by the PCU, the PL 480 Secretariat and ICIs participating in the Project, containing the terms and conditions for refinancing under the UCF Credit Fund, and including the AID procurement requirements which will be incumbent on ICI and sub-borrower procurement.

(iv) An agreement between the PCU and the PL 480 Secretariat governing the terms and conditions of the PL 480 Secretariat's management of monies in the UCF Credit Fund.

(v) Sub-loan application and approval forms, along with a manual describing the steps in the sub-loan approval and financing process. The approval forms will include the language about pesticides and waste disposal drafted by the Regional Environmental Officer.

C. Negotiating Status

The terms and conditions of the Project Agreement for this Project have been fully discussed with appropriate Ministry of Planning and Coordination (MPC) personnel. MPC and PCU personnel have, in turn, informed the UCFs of all details concerning the MTCF Project. The Project Agreement is ready to be signed by the Ministers of Finance and of Planning and Coordination and the USAID Director.

ANNEX 1

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 1986 to FY 1991
Total U.S. Funding $18,500,000
Date Prepared: June 15, 1986

Project Title & Number: MARKET TOWN CAPITAL FORMATION

PAGE 1

NARRATIVE SUMMARY	OBJECTIVELY VERIFIABLE INDICATORS	MEANS OF VERIFICATION	IMPORTANT ASSUMPTIONS
Program or Sector Goal: The broader objective to which this project contributes: To achieve a higher standard of living through increased employment and greater production in Bolivia's rural and semi-urban areas.	Measures of Goal Achievement: In Bolivia's rural and semi-urban areas: . Employment statistics have improved (jobs have been created). . Business and farm output has increased. . Levels of household consumption have risen. . Levels of business investment have risen.	. INE National statistics. . Local studies done by DDCs and regional banks. . Banking sector statistics.	Assumptions for achieving goal targets: . Political stability obtains in Bolivia. . Bolivia continues the economic improvement process begun in August 1985. . GOB policies on foreign exchange, private sector activites, exports and imports and currency reform remain positive. . No natural disasters of overwhelming proportion (like "El Niño") distort the development process.

AID 1020-28 (7-71)
SUPPLEMENT 1

ANNEX 1

PROJECT DESIGN SUMMARY
LOGICAL FRAMEWORK

Life of Project:
From FY 1986 to FY 1991
Total U.S. Funding $18,500,000
Date Prepared: June 15, 1986

Project Title & Number: MARKET TOWN CAPITAL FORMATION

NARRATIVE SUMMARY	OBJECTIVELY VERIFIABLE INDICATORS	MEANS OF VERIFICATION	IMPORTANT ASSUMPTIONS
Project Purpose:	**Conditions that will indicate purpose has been achieved: End of project status.**		**Assumptions for achieving purpose:**
To increase the levels of productive private sector investment in Bolivia's rural and semi-urban areas.	. Private sector investments have increased.	. Local bank statistics, and DDC studies.	1. Bolivia maintains political stability.
	. Intermediate Credit Institutions performing more effectively, and with larger development loan portfolios.	. Participating ICI loan evaluations and follow up.	2. Economic stability is obtained and maintained in Bolivia.
	. UCFs working well.	. UCF subproject evaluation data.	3. GOB policies supporting the private sector continue.
	. UCF Credit Fund established and functioning.	. Mid-term and EOP project evaluations.	
	. Variety of types of investors have taken new equity positions in private sector ventures.		
	. Agricultural and agribusiness enterprises show greater production, higher productivity and/or better quality in their outputs.		

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AID 1020-28 (7-71)
SUPPLEMENT 1

ANNEX 1

PROJECT DESIGN SUMMARY
LOGICAL FRAMEWORK

Life of Project:
From FY 1986 to FY 1991
Total U.S. Funding $18,500,000
Date Prepared: June 15, 1986

Project Title & Number: MARKET TOWN CAPITAL FORMATION

PAGE 3

NARRATIVE SUMMARY	OBJECTIVELY VERIFIABLE INDICATORS	MEANS OF VERIFICATION	IMPORTANT ASSUMPTIONS
Outputs:	Magnitude of Outputs:		Assumptions for achieving outputs:
1. Investments which are beneficial both socio-economically and financially, totaling approximately $37.5 million, are undertaken.	1. $21 million in project loans made which finance investments worth $37.5 million.	. PCU, UCF, and ICI records.	1. There is continued, effective credit demand.
2. UCF Credit Fund is established.	2. One, integrated into new development finance institution, or operating under institutionalized PCU.	. Internal and external audits.	2. AID and GOB disburse loan funds promptly.
3. ICIs' rural lending operations have improved.	3. Up to 12.	. Mid-term and EOP evaluations.	3. The ICIs participate actively in the project.
4. All UCFs are fully operational.	4. 8.		4. Appropriate PCU and UCF staff and operating cost support are available.
			5. DDC and UCF relationships remain productive.
			6. UCF's and the PCU retain their semi-autonomous status.

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AID 1025-28 (5-75)
SUPPLEMENT 1

ANNEX 1

PROJECT DESIGN SUMMARY
LOGICAL FRAMEWORK

Life of Project:
From FY 1986 to FY 1991
Total U.S. Funding $18,500,000
Date Prepared: June 15, 1986

Project Title & Number: MARKET TOWN CAPITAL FORMATION

NARRATIVE SUMMARY	OBJECTIVELY VERIFIABLE INDICATORS		MEANS OF VERIFICATION	IMPORTANT ASSUMPTIONS
Inputs:	Implementation Target (Type and Quantity)			Assumptions for providing inputs:
	US$(000)	H.C.		
1. Investment Financing	14,500	23,000	. USAID accounting documents.	Funds are made available by PL-480 Title III and USAID and ICIs.
2. Technical Assistance/Training	1,725	-	. PL 480 Title III accounting documents.	
3. Project Support/Costs	1,455	400	. PCU and UCF reports.	
4. Evaluations/Audits	171	-	. Internal and external audits.	
5. Contingencies	649	-		
TOTAL	18,500	23,400		

(2)

Presidencia de la República
**MINISTERIO DE PLANEAMIENTO
Y COORDINACION**
BOLIVIA

2630

La Paz, [illegible] JUL. 1986

Señor
David A. Cohen
DIRECTOR DE USAID/B
Presente

Señor Director:

Como es de su conocimiento, la Nueva Política Económica del Gobierno de Bolivia considera prioritaria la reactivación del aparato productivo y su diversificación así como el desarrollo de las áreas rurales del país. El incremento de los niveles de inversión productiva privada a nivel rural y semiurbano es uno de los medios que nos permitirá alcanzar esos fines.

Estimamos de importancia para concretar el propósito anterior, la institucionalización de los mecanismos financieros regionales como vehículos para dinamizar el desarrollo de cada uno de los departamentos del país.

El Proyecto Corporaciones Regionales de Desarrollo, financiado con recursos de AID y PL-480, está llegando a su conclusión habiendo establecido un sistema a nivel nacional para la promoción, identificación, financiamiento, evaluación, control y seguimiento de proyectos de inversión productivos. La positiva evaluación que ha merecido ese Proyecto, muestra la necesidad de consolidar los mecanismos de financiamiento regional establecidos, procurando una distribución más equitativa de los recursos de crédito y contribuyendo a disminuir la presión demográfica sobre los principales centros urbanos del país, a través de la generación de la generación de proyectos productivos localizados en el área rural y en ciudades secundarias.

En consideración a lo expuesto, el Supremo Gobierno, mediante mi persona solicita a usted que la Misión de USAID/BOLIVIA, a través de sus canales establecidos, considere la asignación de una línea de financiamiento destinada a la promoción y ejecución de proyectos productivos en las áreas rurales y ciudades secundarias del país, a través de créditos al sector privado y asistencia técnica de los productores, la banca y las Unidades Crediticias-Financieras de las Corporaciones Regionales.

El Proyecto que permita la consecución de los objetivos señalados, deberá tener una vida útil de cinco años al cabo de los cuales se determinaría su continuidad o cierre.

El Proyecto deberá considerar un sistema regional de financiamiento que contaría, además de los nuevos recursos solicitados, con los reflujos del Proyecto Corporaciones Regionales de Desarrollo como aporte de las UCFs, para

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Presidencia de la República
MINISTERIO DE PLANEAMIENTO
Y COORDINACION
BOLIVIA

la conformación de fondos regionales y un fondo central de reasignaciones, administrados todos bajo la Unidad de Coordinación de Proyectos MPC/USAID/B.

Para los fines mencionados, el Supremo Gobierno solicita a USAID/B una doncaciónde aproximadamente $US. 3.5 millones y un préstamo de $US. 15 millones. El Gobierno de Bolivia, por su parte, aportará con el equivalente a $US. 6.5 millones con fondos provenientes de PL-480.

Los fondos de donación de AID serían utilizados para la contratación de asistencia técnica nacional e internacional, entrenamiento en el exterior, adquisición de equipos y gastos de soporte del proyecto. Los recursos de préstamo serían integramente destinados a operaciones de crédito al sector privado productivo, a través de las Unidades Crediticias Financieras y con la intermediación de la banca nacional.

Los fondos de PL-480 se destinarían integramente a la cobertura del componente nacional de créditos al sector privado productivo, hasta un monto equivalente a $US. 6.5 millones.

El Supremo Gobierno adelanta su conformidad para que la Misión de USAID/B con la Unidad de Coordinación de Proyectos MPC/USAID/B, tome bajo su directa responsabilidad la contratación de asistencia técnica, adquisiciones, servicios personales locales e internacionales y otros que requiera el Proyecto. La canalización de los créditos al sector privado se realizaría a través de las Unidades Crediticias Financieras de las Corporaciones Regionales, utilizando los mecanismos establecidos por la Unidad de Coordinación de Proyectos MPC/USAID/B.

Agradeciendo de antemano su cooperación, saludo a usted muy atentamente,

GONZALO SANCHEZ DE LOZADA
MINISTRO DE PLANEAMIENTO Y COORDINACION

MARKET TOWN CAPITAL FORMATION PROJECT (MTCF)

ANNEX 3
COST ESTIMATE DETAIL

FIRST PART
COST ESTIMATE GENERAL ASSUMPTIONS

The LOP cost estimate detailed in this Annex uses salary rates of $65,000 per year, ($250 per working day, wd) for both LT and ST U.S. advisors. In the case of LT advisors, this daily rate includes post differential for La Paz. For third country nationals (TCNs), the yearly rate is $40,300 for ST and LT advisors. Finally for PCU staff, a monthly average salary of $1,011 (grade weighted) has been used, however, for ST local hires this salary rate was increased to $1,500.

The international institutional contract for LT and ST TA assumes 70% overhead on total base salaries, 6% profit on total contract costs including home office backstopping costs. This latter direct cost allows for a project manager at the home office (salary for 2 months per year) plus travel, per diem, and other direct costs for one trip a year to Bolivia to oversee Project activities during the MTCF LOP. In addition, this institutional contract cost further assumes that logistic support costs (i.e. office space rent, office and household furniture and secretarial support for both LT and ST advisors) will be provided and arranged by the contractor using AID Grant funds.

The Project Coordinator estimated cost includes funds for a local PSC for 60 person months (pms). This cost will be totally funded by the AID Grant including logistic support costs (i.e. one secretary for 60 pms).

Project evaluations (1 mid-course and 1 final) will be furnished through a Technical Support to Mission (TSM) IQC. Five local audits will be conducted by registered local auditing firms.

SECOND PART
COST ESTIMATE DETAIL BY PROJECT COMPONENT AND BY FUNDING SOURCE

The LOP detailed cost estimate below has been prepared following the format of the summary cost estimate table in the text of the PP. In this part, the total direct costs (including HO backstopping cost) for all project components are calculated by cost category aggregates from which the total estimated cost (including overhead and fixed fee) is derived for each of the individual project components and subcomponents by funding source (AID Grant F/X, AID Loan F/X, GOB, PL-480 and DDCs L/C). Specific line item assumptions are described in the corresponding footnotes to show the criteria/bases used for calculating the cost category aggregates.

COST CATEGORY	AID GRANT (FX)	ESTIMATED COST FUNDING SOURCE AID LOAN (FX)	GOB PL-480 (L/C)	BOLIVIAN PRIVATE SECTOR (L/C)
I. Investment Financing				
- The sum of $14.5 million will be provided by the Loan to finance approx. 161 discrete interventions (with average value of 90,000 each) to be channeled through the UCFs/ICIs. - Approx. 44.5% of the AID Loan financing will be provided by the GOB for sub-project financing as well.	-	14,500,000	6,500	16,500
II. Technical Assistance	-	-	-	-
A) Long-Term (a total of 72 pms) (1 U.S. Investment Promotion Expert, 24 pms, (Team leader) 1 TCN Marketing Specialist, 24 pms, 1 TCN Small-Medium Enterprise Development Specialist, 24 pms)				
1. Total Salaries a. Base Salaries: (1) -U.S. Investment Promotion Expert, $109,287 -TCN Marketing Spe., $84,697 -TCN Small-Enterprise Spe., $84,697 b. Post Differential (25% of base salary for only U.S. expert, i.e. of $109,287 above), $27,322.	306,003	-	-	-
2. Benefits, insurance, DBA, etc. (22% of total base salary above, i.e. of $278,681)	61,310	-	-	-

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(1) A salary inflator of 5% p.a. is included in this cost sub-category.

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COST CATEGORY	ESTIMATED COST FUNDING SOURCE AID GRANT (FX)	AID LOAN (FX)	GOB PL-480 (LC)
3. Allowances (2)	114,550	-	-
4. Travel (3)	8,360	-	-
5. Transportation (4)	27,520	-	-
6. Per Diem	9,984	-	-
7. Logistic Support (5)	108,168	-	-
8. HO Backstopping (6)	22,846	-	-
9. Other Direct Costs	5,007	-	-
10. Total Direct Costs (i.e. summation of items 1-9 above)	663,748	-	-
11. Overhead (70% of total base salaries, i.e. of $278,681 plus 35% of prorated H.O. proj. mgr's salary, i.e. of $26,000,)	204,177	-	-
12. Fixed Fee or Profit (6% of total costs, i.e. of summation of items 10 and 11 above, i.e. of $867,925)	52,075	-	-
TOTAL INTERNATIONAL LT TA ESTIMATED COST (i.e. summation of items 10, 11 and 12 above):	920,000	-	-

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(2) Please note TCNs are not provided with R&R allowance.

(3) This item estimate assumes that the 3 international experts will travel 10% of their time to the field (i.e. 1 RT/mo)

(4) This includes a NWA of 18,000 lbs for the U.S. contractor with four family members and 7,500 lbs for TCNs also with four family members when basic furniture is not provided (as per latest AIDAR regulation).

(5) One secretary is included here.

(6) This category is prorated by dividing total HO backstopping direct costs (i.e. $33,000) by total number of person months for LT and short-term TA (i.e. 120 pms) and multiplying by the related number of pms (i.e. LT = 72 pm, ST = 48 pm).

X 19.

B) Short-Term (a total of 48 pms up to 18 advisors) (7)			
1. Total Salaries a. From U.S., $172,800 (32 pms) b. From TCNs, $53,600 (16 pms)	226,400	-	-
2. Benefits, DBA and insurance, (for U.S./TCN), (22% of salaries above)	49,808	-	-
3. Travel (8)	35,340	-	-
4. Per Diem	78,540	-	-
5. Other Direct Costs	7,650	-	-
6. HO Backstopping	10,154	-	-
7. Total Direct Costs (summation of items 1-6 above)	407,892	-	-
8. Overhead (70% of total salaries salaries, i.e. of $226,400 plus 35% of prorated H.O. proj. mgr's salary, i.e. of $26,000),	167,580	-	-
9. Fixed Fee or Profit (6% of total costs, i.e. of summation of items 7 and 8 above, i.e. of $575,472)	34,528	-	-
TOTAL INTERNATIONAL ST TA ESTIMATED COST (i.e. summation of items 7, 8 and 9 above)	610,000	--	--

Note: The resulting total estimated cost for the international institutional contract is: $ 1,530,000 for both LT and ST Technical Assistance to be funded totally by the AID Grant (FX) (i.e. summation of items II.A and II.B above)

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(7) The ST TA is distributed by origin of the services (U.S. and TCN) under the international institutional contract as follows:

US	TCN	Total
32	16	48

(8) This category estimate assumes that ST advisor will travel 80% of their time to the field (6 RTs/mo of 4 days each RT).

III. TRAINING

A. In-country (24 one-week workshops/seminars 30 participants each)	-	-	
1 course instructor's salary (9)	12,000	-	-
1. Travel (10)	19,200	-	-
2. Per Diem	77,280	-	-
3. Other Direct Costs	6,520	-	-
TOTAL DIRECT COSTS FOR IN-COUNTRY PARTICIPANT TRAINING:	115,000	-	-
B. International			
a. 6 10-day courses, 3 in USA and 3 in Latin America			
1. Course Fee	3,300	-	-
2. Travel	6,630	-	-
3. Per Diem	5,400	-	-
4. Other Direct Costs	1,670	-	-
TOTAL DIRECT COSTS FOR L.A. PARTICIPANT TRAINING	17,000	-	-
b. 36 one-week orientation/observation trips to Latin America Countries (3 participants per trip)			
1. Course Fee	12,600	-	-
2. Travel	22,680	-	-
3. Per Diem	23,000	-	-
4. Other Direct Costs	4,720	-	-
TOTAL DIRECT COSTS FOR L.A. ORIENTATION/OBSERVATION TRIPS:	63,000		
TOTAL DIRECT COSTS FOR INTERNATIONAL TRAINING: (a. + b. above)	80,000		

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(9) Half of these courses are anticipated to be conducted by the ST TA advisors.

(10) Assumes 1/3 of participants live in the course sites.

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IV. PROJECT SUPPORT

A. PCU Staff (11)

(324 pms of technical local staff consisting of 9 long-term positions)

1. Total Salaries (12)	344,304	-	-
2. Benefits, bonuses, insurance, family and local transportation allowances, and indemnity (33% of total salaries above)	113,620	-	-
3. Travel (13)	51,840	-	-
4. Per Diem (13)	119,232	-	-
5. Logistic Support (14)	157,082	-	-
6. Office Supplies (15)			140,000
7. Other Direct Costs	4,922	-	-
TOTAL DIRECT COSTS FOR PCU STAFF (includes office expenses)	791,000		140,000

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(11) This cost category includes the following positions: Director of the Project Coordination Unit (PCU), 36 pms; Project Chief, 36 pms; 3 Project Advisors, 36 x 3, 108 pms; Financial/Administrative Specialist, 36 pms; Project Accountant, 36 pms; Banking Specialist, 36 pms; Regional Planner, 36 pms.

(12) The salary weighted average is $1,011/mo. Based on starting grade 12.6 for PCU Director, 11.6 for Project Chief, 11.0 for Advisors, Financial/Adm. Specialist, Banking Specialist and Regional Planner; and 9.1 for Project Accountant.

(13) Assumes all technical staff travelling to the field 33% of calendar time (2 RTs/mo, as average, 4 days each RT).

(14) This includes 4 secretaries as support staff (i.e. $110,762) plus office rent (i.e. $40,320), office furniture and equipment for new positions ($6,000).

(15) This item to be funded by PCU share of reflows, includes paper, pencils, envelopes, markers, gasoline for office vehicle, etc. at $40,000 (avg)/yr. plus 20,000 for audio-visual equipment to be used in the in-country workshops/Seminars.

B. UCF Support

a. From DDC reflows: First year: $138.6 (for UCFs of La Paz, Sucre, Tarija, Oruro and Potosí) Second year: $90.6 (for UCFs of La Paz, Oruro and Potosí) Third year: $87.6 (for UCFs of La Paz, Sucre, Oruro and Potosí) 4thr year: $58.1 (for UCFs of Sucre, Oruro, and Potosí) 5th year: $22.7 (for UCFs of Oruro and Potosí)	-	-	400,000
TOTAL 400,000 (rounded)			=======
b. From AID Grant: First year: $24.3 (for UCFs of Oruro and Potosí) Second year: $2.6 (for UCFs of Oruro and Potosí) Third year: $5.4 (for UCFs of Oruro and Potosí)			
TOTAL $32.3	32,000 (rounded)	-	-
	======	-	
c. Project Vehicles and automation - 9 4x4 vehicles at $15,000 each (one for each VCP and one for the PCV) $135,000 - 9 computer system at $8000 each (one for each UCF, and one for the PCU delivered) $72,000	207,000	-	-
	========		
d. Market Town Investigation A lump sum money of 250,000 will be allocated for investigating/planning a pilot project for a pole/zone development model	-	250,000	-
f. USAID Project Coordinator (Local PSC for 60 pms)			

1. Total Salary (17)	73,467	-	-
2. Benefits, bonuses, insurance, family and local transportation allowances, indemnity (33% of total salary above)	24,244		-
3. Travel	9,600	-	-
4. Per Diem	22,080	-	-
5. Logistic Support (17)	43,890	-	-
6. Other Direct Costs	1,719	-	-
TOTAL DIRECT COSTS FOR THE USAID PROJECT COORDINATOR	175,000	-	-

V. EVALUATIONS AND AUDITS

A) Ex-post Evaluations (TSM IQC) (1 mid-course evaluation, and 1 final evaluation, totalling 5 advisors for 5 pms)

1. Total Salaries	27,088	-	-
2. Benefits, insurance, etc. (18% of salaries)	4,876	-	-
3. Travel	9,100	-	-
4. Per Diem	7,650	-	-
5. Other Direct Costs	5,587	-	-
6. Overhead (40% of total salaries above)	10,835	-	-

(17) A secretary for 60 pms as support staff in USAID/B is included in this cost item.

7. Fixed Fee or Profit (10% of total costs, i.e. summation of items 1 - 6 above, $63,636)	6,364	-	-
TOTAL EX-POST EVALUATIONS ESTIMATED COST:	71,500	-	-
B. Local Audits			
(A total of 5 audits, one per project year)			
1. Total Salaries	45,310	-	-
2. Benefits, insurance, etc. (21% of salaries)	9,515	-	-
3. Travel	5,100	-	-
4. Per Diem	11,040	-	-
5. Other Direct Costs	6,351	-	-
6. Overhead (30% of total salaries above)	13,593	-	-
7. Fixed Fee (10% of total costs, i.e. summation of items 1 - 6 above, $90,909)	9,091	-	-
TOTAL LOCAL AUDITS ESTIMATED COST	100,000	-	-
VI. CONTINGENCIES			
4.26% AID Grant Contingency	149,000	-	-
3.3% AID Loan Contingency	-	500,000	-

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AGENCY FOR INTERNATIONAL DEVELOPMENT
WASHINGTON, D.C. 20523

LAC/DR-IEE-86-17

ENVIRONMENTAL THRESHOLD DECISION

Project Location	:	Bolivia
Project Title and Number	:	Market Town Capital Formation 511-0573
Funding	:	$15,000,000 (L) $3,500,000 (G)
Life of Project	:	5 years
IEE Prepared by	:	Howard Clark USAID/Lima
Recommended Threshold Decision	:	Categorical Exclusion
Bureau Threshold Decision	:	Concur with Recommendation
Comments	:	None
Copy to	:	David A. Cohen, Director USAID/La Paz
Copy to	:	John Fasulo, USAID/La Paz
Copy to	:	Howard Clark, USAID/Lima
Copy to	:	Robert Jordan, LAC/DR/SA
Copy to	:	IEE File

James S. Hester Date JUN 23 1986

James S. Hester
Chief Environmental Officer
Bureau for Latin America
and the Caribbean

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ACTION COPY

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Department of State

ANNEX 4
Page 2 of 2 pag

INCOMING TELEGRAM

PAGE 01 LA PAZ 05167 00 OF 02 201445Z 8457 084247 AID1355
ACTION AID-00

ACTION OFFICE LADR-03
INFO SECP-01 SERP-01 LAEM-02 LASA-03 AMAD-01 GC-01 SEOS-02
GCFL-01 PPR-01 STFA-02 SAST-01 RELO-01 TELE-01 PRE-06
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TO SECSTATE WASHDC IMMEDIATE 3017

UNCLAS LA PAZ 05167

AIDAC

FOR LAC/DR: JIM HESTER

E.O. 12356: N/A
SUBJECT: REQUEST FOR ENVIRONMENTAL THRESHOLD DECISION: BOLIVIA MARKET TOWN CAPITAL FORMATION PROJECT (511-0573)

1. YOUR IMMEDIATE APPROVAL OF THE FOLLOWING IEE IS NEEDED BY CABLE TO PERMIT USAID BOLIVIA TO OBLIGATE THE MARKET TOWN CAPITAL FORMATION PROJECT (MTCFP). HARD COPY IEE FOLLOWS FOR YOUR SIGNATURE.

2. REGIONAL ENVIRONMENTAL OFFICER HOWARD L. CLARK REVIEWED THE MTCF PROJECT FOR ENVIRONMENTAL IMPACT (VIA THE PID AND INTERVIEWS) WHILE HE WAS IN BOLIVIA ON TDY EARLIER THIS YEAR. PER HIS INSTRUCTIONS, ALL PROJECT SUBLOAN AGREEMENTS WILL CONTAIN CLAUSES BARRING USE OF LOAN FUNDS FOR ACQUISITION OF PESTICIDES, OR TO FINANCE INDUSTRIAL PROJECTS WHICH WILL GENERATE WASTES DETRIMENTAL TO THE ENVIRONMENT, AND FOR WHICH THERE ARE NO APPROPRIATE DISPOSAL PLANS.

3. THE INITIAL ENVIRONMENTAL EXAMINATION PREPARED BY THE MISSION AND SUGGESTED LANGUAGE FOR AN ENVIRONMENTAL THRESHOLD DECISION FOLLOW.

4. INITIAL ENVIRONMENTAL EXAMINATION
A. PROJECT LOCATION: BOLIVIA
B. PROJECT TITLE: MARKET TOWN CAPITAL FORMATION
C. FUNDING: ALL YEARS: DOLS 18.5 MILLION
D. FIRST YEAR (FY 86): DOLS L 2.8 MILLION
DOLS G 1.2 MILLION
E. LIFE OF PROJECT: FIVE YEARS/1986 15.0 MILLION LOAN
DOLS 3.5 MILLION GRANT
F. PREPARED BY: JOHN FASULLO, PRD

G?????????? THE GOAL OF THE PROJECT IS TO ACHIEVE A HIGHER STANDARD OF LIVING, THROUGH INCREASED EMPLOYMENT AND GREATER PRODUCTION, IN BOLIVIA'S RURAL AND SEMI-URBAN AREAS. THE PROJECT PURPOSE IS TO INCREASE THE LEVEL OF PRODUCTIVE PRIVATE SECTOR INVESTMENT IN BOLIVIA'S RURAL AND SEMI-URBAN AREAS.

H. ACTION: THE PROJECT WILL IMPROVE THE INTERMEDIATE CREDIT INSTITUTION (ICI) LOAN REFINANCING SYSTEM DEVELOPED DURING THE DEPARTMENTAL DEVELOPMENT CORPORATIONS (DDC) PROJECT. THE PROJECT WILL REFINE THE SYSTEM FOR THE ALLOCATION OF LOAN FUNDS AND REFLOWS, AND FOR APPROVING INVESTMENT SUB-PROJECTS DEVELOPED WITH THE ASSISTANCE OF DDC

CREDIT FINANCE UNITS (UCFS) IN RURAL MARKET TOWN REGIONS IN THE VARIOUS DEPARTMENTS. THE PROJECT WILL STRENGTHEN THE UCFS THROUGH THE PROVISION OF TECHNICAL ASSISTANCE, ESPECIALLY IN PROJECT ANALYSIS AND EVALUATION, LOAN MANAGEMENT AND MONITORING AND REPORTING PROCEDURES.

I. BACKGROUND: SECTION 216.2(C)(2) OF 22 CFR PART 216, ENVIRONMENTAL PROCEDURES, DESCRIBES THE CLASSES OF ACTION WHICH ARE ELIGIBLE FOR CATEGORICAL EXCLUSION AND FOR WHICH AN INITIAL ENVIRONMENTAL EXAMINATION IS NOT GENERALLY REQUIRED. THE ACTIVITIES OF THE SUBJECT PROJECT ARE APPLICABLE TO THE FOLLOWING CATEGORICAL EXCLUSION:

216.2 (C) (X) SUPPORT FOR INTERMEDIATE CREDIT INSTITUTIONS.

J. ENVIRONMENTAL ACTION RECOMMENDED:

BASED ON THE CATEGORICAL EXCLUSIONS DISCUSSED ABOVE AND THE RECOMMENDATION OF THE REGIONAL ENVIRONMENTAL ADVISOR, USAID BOLIVIA RECOMMENDS THAT A NEGATIVE DETERMINATION BE MADE AND NO FURTHER ENVIRONMENTAL REVIEW BE CONDUCTED.

SIGNED: DAVID A. COHEN
MISSION DIRECTOR
DATE

5. SUGGESTED ENVIRONMENTAL THRESHOLD DECISION
A. PROJECT LOCATION: BOLIVIA
B. PROJECT TITLE: MARKET TOWN CAPITAL FORMATION
C. FUNDING: DOLS 15.0 MILLION LOAN
DOLS 3.5 MILLION GRANT
D. LIFE OF PROJECT: FY 86 - FY 91
E. IEE PREPARED BY: USAID/BOLIVIA
F. RECOMMENDED THRESHOLD DECISION: CATEGORICAL EXCLUSION
G. BUREAU THRESHOLD DECISION: CONCURRENCE WITH RECOMMENDATION
H. ACTION: COPY TO DAVID A. COHEN
DIRECTOR USAID/BOLIVIA
COPY TO LAC/DR
COPY TO IEE FILE

SIGNED JIM HESTER DATE:
REGIONAL ENVIRONMENTAL ADVISOR
BUREAU FOR LATIN AMERICA AND THE CARIBBEAN.
ROWELL

GRAY AMENDMENT CONSIDERATIONS

The Market Town Capital Formation Project (511-0573) includes only two international procurement actions: Technical Assistance for a two-year period, and one vehicle and one modest computer for each of eight regional financial units and the Project Coordination Unit.

To encourage minority-owned firms to participate in these open competitions, USAID/Bolivia will send copies of the two PIO/Ts to the Office of Small and Disadvantaged Business as soon as they are ready, and before the IFB and RFP announcements are published in the Commerce Business Daily. This will allow the SDB Office to advise appropriate minority groups of the opportunities to bid.

ANNEX 6
STATUTORY CHECKLISTS

I. PROJECT CHECKLIST

A. General Criteria for Project

1. FY 1986 Continuing Resolution, Sec. 524 FAA Sec. 634A, Sec.653(b). (a) Describe how authorization and appropriations committees of Senate and House have been or will be notified concerning the project?	Committees notified using congressional notification procedures.
2. FAA Sec.611(a)(1). Prior to obligation in excess of $100,000, will there be (a) engineering, financial or other plans necessary to carry out the assistance and (b) a reasonably firm estimate of the cost to the U.S. of the assistance?	Yes.
3. FAA Sec. 611(a) (2). If further legislative action is required within recipient country, what is basis for reasonable expectations that such action will be completed in time to permit orderly accomplishment of purpose of the assistance?	N/A
4. FAA Sec. 611(b), FY 1986 Continuing Resolution, Sec. 501. If for water or water-related land resource construction, has project met the principles standards and procedures established pursuant to the Resources Planning At (42 U.S.C. 1962, et.seg)? (See AID Handbook 3 for new guidelines.)	N/A
5. FAA Sec. 611(e). If project is capital assistance (e.g. construction), and all U.S. assistance for it will exceed $1 million, has Mission Director certified and Regional Assistance Administrator taken into consideration the country's capability effectively to maintain and utilize the project?	N/A

6. FAA Sec. 209. Is project susceptible to execution as part of regional or multilateral project? If so, why is project not so executed? Information and conclusion whether assistance will encourage regional development programs.	No. Initiated project in response to GOB request for U.S. assistance only. No.
7. FAA Sec. 601(a). Information and conclusions whether project will encourage efforts of the country to: (a) increase the flow of international trade; (b) foster private initiative and competition; and (c) encourage development and use of cooperatives, and credit unions, and savings and loan associations; (d) discourage monopolistic practices; (e) improve technical efficiency of industry, agriculture and commerce; and (f) strengthen free labor unions.	Project strategy of providing credit to help develop and finance agro-industrial and service industry and technical assistance to strengthen private financial sector will have positive effect on a-c.
8. FAA Sec. 601(b). Information and conclusions on how project will encourage U.S. private trade and investment abroad and encourage private U.S. participation in foreign assistance programs (including use of private trade channels and the services of U.S. private enterprise).	Project will have limited effect in this area except for use of U.S. service contractor and consulting organization.
9. FAA Sec. 612(b). 636(h); FY 1982 Appropriation Act, Sec.507. Describe steps taken to assure that, to the maximum extent possible, the country is contributing local currencies to meet the cost of contractual and other services, and foreign currencies owned by the U.S. are utilized in lieu of dollars.	The GOB will provide a counterpart contribution in local currency during the life-of project equivalent to approximately 41% of the total project cost. Private sector organizations will provide additional counterpart equal to almost 90% of the A.I.D. project cost.
10. FAA Sec.612(d). Does the U.S. own excess foreign currency of the country and, if so, what arrangements have been made for its release?	No.

11. FAA Sec.601(e). Will the project utilize competitive selection procedures for the awarding of contracts, except where applicable procurement rules allow otherwise?	Yes.
12. FY 1986 Continuing Resolution, Sec.522. If assistance is for the production of any commodity for export, is the commodity likely to be in surplus on world markets at the time the resulting productive capacity becomes operative, and is such assistance likely to cause substantial injury to U.S. producers of the same, similar or competing commodity?	N/A
13. FAA 118(c) and (d). Does the project comply with the environmental procedures set forth in AID Regulation 16? Does the project or program take into consideration the problem of the destruction of tropical forests?	Yes. I.E.E. has been approved by AID/W. N/A.
14. FAA 121 (d). If a Sahel project, has a determination been made that the host government has an adequate system for accounting for and controlling receipt and expenditures of project funds (dollars or local currency generated therefrom)?	N/A
15. FY 1986 Continuing Resolution Sec.533. Is disbursement of the assistance conditioned solely on the basis of the policies of any multilateral institution?	No.
16. ISDCA of 1985 Sec. 310. For development assistance projects, how much of the funds will be available only for activities of economically and socially disadvantaged enterprises, historically black colleges and universities, and private and	None.

voluntary organizations which are controlled by individuals who are black Americans, Hispanic Americans, or Native Americans, or who are economically or socially disadvantaged (including women)?

B. Funding Criteria for Project

1. Development Assistance Project Criteria

a. FAA Sec.102(b), 11, 113, 281(a). Extent to which activity will (a) effectively involve the poor in development, by extending access to economy at local level, increasing labor-intensive production and the use of appropriate technology, spreading investment out from cities to small towns and rural areas, and insuring wide participation of the poor in the benefits of development on a sustained basis, using the appropriate U.S. institutions, (b) help develop cooperatives, especially by technical assistance, to assist rural and urban poor to help themselves toward better life, and otherwise encourage democratic private and local governmental institutions, (c) support the self-help efforts of developing countries, (d) promote the participation of women in the national economies of developing countries and the improvement of women's status, and (e) utilize and encourage regional cooperation by developing countries?

(a) Project will extend availability of credit to secondary areas in Bolivia, and thereby contribute to the creation of employment in these areas.

(b) The Project contemplates that Cooperatives will be involved in planning investment targets, and/or obtain credit through the Project.

(c) Increased private sector production will improve self-help position.

(d) Not specifically, but opportunities to do so will be taken advantage of.

(e) N/A

b. FAA Sec.103, 103A, 104, 105, 106. Does the project fit the criteria for the type of funds (functional account) being used?

Yes

c. FAA Sec.107. Is emphasis on use of appropriate technology (relatively smaller, cost-saving, labor-using technologies that are generally most appropriate for the small farms, small businesses, and small incomes of the poor)?	Use of appropriate technology will be considered in evaluating loan applications.
d. FAA Sec.110(a). Will the recipient country provide at least 25% of the costs of the program, project, or activity with respect to which the assistance is to be furnished (or is the latter cost-sharing requirement being waived for a "relatively least developed" country)?	Yes.
e. FAA Sec.122(b). Does the activity give reasonable promise of contributing to the development of economic resources, or to the increase of productive capacities and self-sustaining economic growth?	Yes
f. FAA Sec. 128(b). If the activity attempts to increase the institutional capabilities of private organizations or the government of the country, or if it attempts to stimulate scientific and technological research, has it been designed and will it be monitored to ensure that the ultimate beneficiaries are the poor majority?	Yes.
g. FAA Sec.281(b). Describe extent to which program recognizes the particular needs, desires, and capacities of the people of the country, utilizes the country's intellectual resources to encourage institutional development, and supports civil education and training in skills required for effective participation in governmental processes essential to self-government.	By providing that the selection of investment targets and loan approval authority is the responsibility of local private and governmental organizations, their capacities and resources are enhanced.

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2. Development Assistance Project Criteria (Loans Only)

a. FAA Sec.122 (b). Information and conclussions on capacity of the country to repay the loan, at a reasonable rate of interest.	Loan funds will be on-lent for productive investments, so that re-flows should exceed the amount of the loan. Given, in addition, the concessionary terms of the loan, the country has the capacity to repay the loan.
b. FAA Sec.620(d). If assistance is for any productive enterprise which will compete with U.S. enterprises, is there an agreement by the recipient country to prevent export to the U.S. of more than 20% of the enterprise's annual production during the life of the loan?	N/A

3. Economic Support Fund Project Criteria

a. FAA Sec.531(a). Will this assistance promote economic or political stability? To the extent possible, does it reflect the policy directions of FAA Section 102?	N/A
b. FAA Sec.531(c). Will assistance under this Chapter be used for military, or paramilitary activities?	N/A
c. ISDCA of 1985 Sec. 207. Will ESF funds be used to finance the construction of, or the operation or maintenance of, or the supplying of fuel for, a nuclear facility? If so, has the President certified that such country is a party to the Treaty on the Non-Proliferation of Nuclear Weapons or the Treaty for the Prohibition of Nuclear Weapons in Latin America (the "Treaty of Tlatelolco"), cooperates fully with the IAEA, and pursues nonproliferation policies consistent with those of the United States?	N/A

d. FAA Sec.609. If commodities are to be granted so that sale proceeds will accrue to the recipient country, have Special Account (counterpart) arrangements been made	N/A

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III. Standard Item Checklist

A. Procurement

1. FAA Sec. 602. Are there arrangements to permit U.S. small businesses to participate equitably in the furnishing of commodities and services financed?	Yes.
2. FAA Sec. 604(a). Will all procurement be from the U.S. except as otherwise determined by the President or under delegation from him?	Yes. U.S., Bolivia and AID Geographic Code 941
3. FAA Sec. 604 (d). If the cooperating country discriminates against marine insurance companies authorized to do business in the U.S., will commodities be insured in the United States against marine risk with such a company?	Bolivia does not so discriminate.
4. FAA Sec. 604 (e), ISDCA of 1980 Sec. 705 (a). If offshore procurement of agricultural commodity or product is to be financed, is there a provision against such procurement, when the domestic price of such commodity is less than parity? (Exception where commodity financed could not reasonably be procured in U.S.)	N/A.
5. FAA Sec. 604(g). Will construction or engineering services be procured from firms of countries which receive direct economic assistance under the FAA and which are otherwise eligible under Code 941, but which have attained a competitive capability in international markets in one of these areas? Do these countries permit United States firms to compete for construction or engineering services financed from assistance programs of these countries?	N/A

6. <u>FAA Sec. 603</u>. Is the shipping excluded from compliance with requirement in Section 901(b) of the Merchant Marine Act of 1936, as amended, that at least 50 percent of the gross tonnage of commodities (computed separately for dry bulk carriers, dry cargo liners, and tankers) financed shall be transported on privately owned U.S. flag commercial vessels to the extent that such vessels are available at fair and reasonable rates.	No.
7. <u>FAA Sec. 621</u>. If technical assistance is financed, will such assistance be furnished by private enterprise on a contract basis to the fullest extent practicable?	Yes.
If the facilities of other Federal Agencies will be utilized, are they particularly suitable, not competitive with private enterprise, and made available without undue interference with domestic programs?	N/A
8. <u>International Air Transport. Fair Competitive Practices. Act. 1974</u>. If air transportation of persons or property is financed on grant basis, will U.S. carriers be used to the extent such service is available?	Yes.
9. <u>FY 1986 Continuing Resolution Sec.504.</u> If the U.S. Government is a party to a contract for procurement, does the contract contain a provision authorizing termination of such contract for the convenience of the United States?	Yes.

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B. Construction

1. FAA Sec. 601(d). If capital (e.g. construction) project, will U.S. engineering and professional services be used? — N/A.

2. FAA Sec. 611(c). If contracts for construction are to be financed, will they be let on a competitive basis to maximum extent practicable? — N/A.

3. FAA Sec. 620(k). If for construction of productive enterprise, will aggregate value of assistance to be furnished by the U.S. not exceed $100 million (except for productive enterprises in Egypt that were described in the CP)? — N/A.

C. Other Restrictions

1. FAA Sec. 122(b). If development loan, is interest rate at least 2% per annum during grace period and at least 3% per annum thereafter? — Yes.

2. FAA Sec. 301(d). If fund is established solely by U.S. contributions and administered by an international organization, does Comptroller General have audit rights? — N/A.

3. FAA Sec. 620(h). Do arrangements exist to insure that United States foreign aid is not used in manner which, contrary to the best interests of the United States, promotes or assists the foreign aid projects or activities of Communist-bloc countries? — Yes.

4. Will arrangements preclude use of financing?

a. FAA Sec. 104(f), FY 1986 Continuing Resolution Sec.526: (1) To pay for performance of abortions as a method of family planning or to motivate or coerce persons to practice abortions; (2) to pay for involuntary sterilization as method of family planning, or coerce or provide financial incentive to any person to undergo sterilization; (3) to pay for any biomedical research which relates, in whole or in part, to methods or the performance of abortions or involuntary sterilizations as a means of family planning; (4) to lobby for abortion? — Yes.

b. FAA Sec.488. To reimburse persons, in the form of cash payments, whose illicit drug crops are eradicated? — Yes.

c. FAA Sec. 620(g). To compensate owners for expropriated nationalized property? — Yes.

d. FAA Sec. 660. To provide training or advice or provide any financial support for police, prisons, or other law enforcement forces, except for narcotics programs? — Yes.

e. FAA Sec. 662. For CIA activities? — Yes.

f. FAA Sec. 636(i). For purchases, sale, long-term lease, exchange or guaranty of the sale of motor vehicles manufactured outside U.S., unless a waiver is obtained? — Yes.

g. FY 1986 Continuing Resolution, Sec.503. To pay pensions, annuities, retirement pay, or adjusted service compensation for military personnel? — Yes.

h. FY 1986 Continuing Resolution, Sec.505
To pay U.S. assessments, arrearages or dues? — Yes.

i. FY 1986 Continuing Resolution, Sec. 506
To carry out provisions of FAA Section 209(d) (Transfer of FAA funds to multilateral organizations for lending? — Yes.

j. FY 1986 Continuing Resolution, Sec.510.
To finance the export of nuclear equipment, fuel, or technology? — Yes.

k. FY 1986 Continuing Resolution, Sec.511.
For the purpose of aiding the efforts of the government of such country to repress the legitimate rights of the population of such country contrary to the United States Declaration of Human Rights? — Yes.

l. FY 1986 Continuing Resolution, Sec. 516.
To be used for publicity or propaganda purposes within U.S. not authorized by Congress? — Yes.

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PROYECTO "PLANIFICACION PARA EL DESARROLLO RURAL MPC/USAID/B"

Av. Arce HOTEL SHERATON 9o. Piso
Teléfonos 343110 - 374378 - 360060 Int. 219 al 229

ORGANIZACION Y ADMINISTRACION DE LAS UCFs

a) Antecedentes

En 1983 la UCP ha previsto efectuar un diagnóstico general de la organización administrativa de las Corporaciones, su financiamiento y el sistema de planificación regional, un análisis de las empresas de las Corporaciones, comentarios sobre la estructura del sector público y las relaciones de las Corporaciones con su entorno.

El programa de asistencia técnica en este campo, se divide en dos fases; la primera que corresponde a la formulación de modelos de desarrollo institucional para las Corporaciones y la segunda, que es consecuencia de la primera, que se concreta al establecimiento del brazo financiero-crediticio de estas entidades (UCFs).

A partir de noviembre de 1983 se desarrollaron sucesivamente propuestas de reestructuración para las Corporaciones de Tarija, La Paz, Santa Cruz, Chuquisaca, Beni y Oruro. No obstante que todas las propuestas fueron elaboradas a solicitud expresa de los ejecutivos de las Corporaciones y luego aprobadas por sus Directorios, muy pocas de las recomendaciones fueron aprobadas por sus Directorios y muy pocas de las recomendaciones fueron efectivamente aplicadas.

Los modelos de organización propuestos otorgan flexibilidad a la estructura de las Corporaciones, ayudan a definir con mayor precisión el rol de estas entidades y les permiten adecuarse a un futuro proceso de descentralización administrativa del Poder Ejecutivo, apoyado tambien por el Proyecto.

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El Ministerio de Planeamiento y Coordinación ha respaldado las propuestas presentadas, pero no ha influido en modo alguno para llevarlas a cabo.

Pese a los positivos comentarios respecto a la asistencia técnica otorgada, el Proyecto considera que, en términos de resultados prácticos, este programa no fue satisfactorio, pues no alcanzó el objetivo de elevar la eficiencia operativa de las Corporaciones, debido a la no aplicación de las proposiciones.

En virtud de lo anterior, se viene prestando asistencia técnica limitada en este campo, a requerimiento expreso de las Corporaciones, y se decidió poner énfasis en la estructuración de los órganos crediticio-financieros dependientes de éstas.

b) <u>Organización de las Unidades Crediticio-Financiera</u>

Varios estudios de diagnóstico del Sector Financiero Nacional, las propuestas de reestructuración de las Corporaciones y la propia experiencia y propósitos del Proyecto MPC/USAID/B, indujeron a dar mayor énfasis a la organización de Unidades Crediticio-Financiera (UCFs) de nivel regional para captar recursos y canalizarlos a través de las ICIs mediante créditos de fomento principalmente al sector productivo privado vinculado al desarrollo rural.

Con este objeto, el Proyecto viene promoviendo el establecimiento de estas unidades como órganos descentralizados de las Corporaciones Regionales de Desarrollo.

Para este propósito el Proyecto formuló una batería de manuales operativos para uso de las UCFs, los que comprenden:

- Manual de Organización y Funciones

- Sistema de Contabilidad General
- Plan de Cuentas
- Procedimiento Administrativo de Control de Cartera
- Sistema de Presupuestos y Control Presupuestario
- Manual de Información a la Gerencia

El programa de implementación de las UCFs contempla asimismo asistencia en la formulación de documentos de constitución y otros complementarios. Tales son los estatutos, presupuestos, régimen operativo y resoluciones de Directorio.

El potencial que tienen las UCFs es de importancia trascendental para el desarrollo del sector productivo, el ordenamiento del aparato financiero del país y el cambio en la orientación de los entes de desarrollo.

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PROYECTO "PLANIFICACION PARA EL
DESARROLLO RURAL MPC/USAID/B"

Av. Arce HOTEL SHERATON 3°. Piso
Teléfonos 342119 - 374378 - 356060 Int. 319 al 398

c) Situación Actual de las UCFs

CHUQUISACA

Está constituida como unidad descentralizada de la Corporación. Cuenta con un Directorio de 5 miembros, 3 de CORDECH y 2 del sector privado.

Tiene una planta de 6 profesionales y 2 administrativos. Entre los primeros está el Gerente, 1 Economista, 2 Ingenieros, 1 Administrador de Empresas y 1 Autidor Financiero.

Cuenta con oficinas alquiladas en el centro de la ciudad y su presupuesto de esta gestión prevé la compra de una casa que se estima remodelar y habilitar antes de fin de año.

El trámite para conseguir su personería jurídica como institución pública descentralizada, está en la instancia de aprobación del Ministerio de Planeamiento.

Ha cumplido con todos los requisistos establecidos por la Unidad de Coordinación y PL-480 para acceder a futuras lineas de financiamiento.

Su desempeño es satisfactorio y el apoyo de la Corporación es franco y permanente. Una prueba de esto último es el hecho de haber otorgado "Créditos Puente" practicamente a todos los proyectos aprobados por nuestro programa en la región, reduciendo asi el problema de iliquidez de PL-480.

Cuadro de Inversiones

El cuadro de inversiones de esta UCF en relación a la linea del Proyecto

DDCs, es el siguiente:

- Proyectos aprobados	14	
- Proyectos en evaluación	1	
- Monto de créditos con recursos de AID		$us. 1.853.374
- Monto de créditos con recursos PL-480		" 734.172
- Cartera total MPC/USAID/B		$us. 2.587.546

Distribución por Areas y Sectores

La distribución por sectores de producción y áreas de localización de los proyectos de esta UCF es la que sigue:

	Número de Proyecto	Monto del Crédito
- Proyectos localizados en el área rural	6	$us. 1.436.372
- Proyectos localizados en el área urbana	9	" 1.151.174
- Sector agropecuario	7	" 1.920.903
- Sector agroindustrial	8	" 666.643
- Sector pequeña industria	-	--
- Secor artesanal	-	--

Indicadores de Evaluación

Los indicadores de evaluación ex-ante del impacto de los proyectos de la UCF de Chuquisaca, muestran las siguientes cifras.

Monto total de las inversiones

Aporte propio + créditos MPC/USAID/B - PL-480 + créditos ICIs $us.4.657.832

- Ocupación de mano de obra
  . Directa (Puestos nuevos de trabajo) 483
  . Indirecta (Involucrada en el Proyecto) 1258

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- Generación de divisas

- Coeficientes
  . Inversión/Mano de Obra Directa $us. 17.047 (Por cada puesto de trabajo)
  . Producción/Mano de Obra Directa $us. 24.798 (Productividad de la Mano de Obra)

- Insumos Nacionales ($us año) 4.517.455 (Materias Primas y Materiales)

- Ahorro de Divisas   120.000

SANTA CRUZ

Es la UCF que cuenta con la más avanzada base legal. El Gobierno de la Nación le otorgó personería jurídica mediante Resolución Suprema en septiembre de 1985 y sólo le falta tramitar un permiso de funcionamiento ante el Banco Central de Bolivia, para integrarse al Sistema Financiero Nacional.

Cuenta con un Directorio de 7 miembros, 3 del sector privado y 4 de CORDECRUZ. Su planta de personal es similar a la de Chuquisaca. Ocupa en alquiler el segundo piso de un edificio céntrico de la ciudad de Santa Cruz.

Dentro de la política institucional vigente en CORDECRUZ, la UCF es un instrumento fundamental. Tal política sostiene la ejecución directa selectiva de proyectos, principalmente en el sector de infraestructura y la ejecución indirecta especializada a través de otras instituciones. Para el financiamiento del sector productivo, público o privado, CORDECRUZ ha delegado a la UCF la administración de todas sus líneas de crédito.

Cuadro de Inversiones

El desempeño de esta Unidad es también satisfactorio. Su cuadro de inversiones con fondos del Proyecto MPC/USAID/B y de PL-480, es el siguiente:

- Proyectos aprobados	23	
- Proyectos en evaluación	1	
- Montos de créditos con recursos de AID		$us. 2.561.592
- Montos de créditos con recursos PL-480		" 2.090.283
Cartera total MPC/USAID/B		$us. 4.651.875

Distribución por Areas y Sectores

La distribución por áreas y sectores de los proyectos financiados por es-

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ta UCF, es como sigue:

	Número de Proyecto	Monto del Crédito
Area Rural	15	$us. 3.290.941
Area Urbana	9	" 1.360.934
Sector Agropecuario	8	" 2.083.075
Sector Agroindustrial	11	" 2.145.713
Sector Pequeña Industria	3	" 353.948
Sector Artesanal	2	" 69.139

Indicadores de Evaluación

La evaluación ex-ante de estos proyectos presenta los siguientes indicadores de impacto.

- Monto total de las inversiones $us. 8.325.654

- Ocupación de Mano de Obra
  . Directa (Puestos nuevos de trabajo) 406
  . Indirecta (Involucrada en el Proyecto) 4.025

- Generación de Divisas $us. 210.875

- Coeficientes
  . Inversión/Mano de obra directa 22.395 (Por cada puesto de trabajo)
  . Producción/Mano de obra directa 24.598 (Productividad de la Mano de obra.)

- Insumos Nacionales 8.366.325 (Materias Primas y Materiales)

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COCHABAMBA

La UCF de este Departamento, funciona también descentralizadamente de la Corporación de Desarrollo.

Tiene un Directorio de 5 miembros, 2 del sector privado y 3 de CORDECO. Su planta de personal está conformado por 3 profesionales y 2 administrativos.

El apoyo de la Corporación en este caso es también muy amplio. Pese a no contar con recursos, CORDECO ha construído en sus terrenos la obra gruesa de oficinas nuevas que serán concluídas con recursos de PL-480 hasta el mes de agosto próximo.

Están iniciando el trámite para obtener personería jurídica y se prevé que requerirán asesoramiento de la UCP en este campo, de manera mucho más estrecha que la otorgada a Santa Cruz y Chuquisaca.

Cuadro de Inversiones

El cuadro de inversiones de esta UCF es el siguiente:

- Proyectos aprobados	23	
- Proyectos en evaluación	2	
- Monto de créditos con recursos de AID	$us.	1.833.108
- Monto de créditos con recursos de PL-480	$us.	1.007.330
- Cartera total MPC/USAID/B	$us.	2.840.438

Distribución por Areas y Sectores

La distribución de los proyectos de esta UCF por áreas y sectores es la siguiente:

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	Número de Proyectos	Monto del Crédito
- Area Rural	19	1.804.274
- Area Urbana	6	1.036.164
- Sector Agropecuario	18	1.718.275
- Sector Agroindustrial	1	85.999
- Sector Pequeña Industria	5	1.014.013
- Sector Artesanal	1	22.151

Sus indicadores de evaluación ex-ante del impacto de los proyectos financiados son los siguientes:

- Monto total de las inversiones $us. 6.384.967

- Ocupación de Mano de Obra
  . Directa (Puestos nuevos de trabajo) 465
  . Indirecta (Involucrada en el Proyecto) 410

- Generación de Divisas 1.215.963

- Coeficientes
  . Inversión (Mano de obra directa) 15.204 (1)
  . Producción (Mano de obra directa) 17.772 (2)

- Insumos nacionales $us. 2.092.975 por año. (3)

(1) Por cada puesto de trabajo
(2) Productividad de la mano de obra
(3) Materiales y materia prima.

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MPC/USAID/B

TARIJA

Recientemente el Directorio de CODETAR autorizó el funcionamiento descentralizado de la UCF de Tarija. Su Directorio está en formación y se prevé constituirlo hasta fines del presente mes.

El apoyo de la Corporación en este caso fue, hasta antes de la actual administración, algo forzado. Las nuevas autoridades en cambio, han mostrado una decidida voluntad para llevar adelante la institucionalización de esta UCF y ya han dado pasos positivos en ese sentido con la aprobación de un presupuesto independiente para la Unidad, la dictación de una Resolución que autoriza su manejo descentralizado y la suscripción de una Carta de Intensiones con la UCP.

El desempeño de esta UCF no ha sido satisfactorio, por ello se acordó con el Presidente de CODETAR, convocar a un concurso abierto para renovar o ratificar al personal de la Unidad.

Cuadro de Inversiones

- Proyectos aprobados	7 (incluye 40 subproyectos avícolas)
- Proyectos en evaluación	3
- Monto de créditos con recursos de AID	$us. 1.217.634
- Monto de créditos con recursos de PL-480	$us. 1.431.030
- Monto de créditos con recursos de Título I	$us. 51.641
Cartera total MPC/USAID/B	$us. 2.700.305

Distribución por Areas y Sectores

	Número de Proyectos	Monto del Crédito
- Area Rural	6	2.458.250
- Area Urbana	1	242.055
- Sector Agropecuario	6(1)	2.458.250
- Pequeña Industria	1	242.055

(1) Incluye 40 subproyectos individuales.

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Indicadores de Evaluación

La evaluación ex-ante de estos proyectos presenta los siguientes indicadores de impacto:

- Monto total de inversiones — $us. 4.080.225
  (Aporte propio + créditos MPC/USAID/B + PL-480 + créditos ICIs)

- Ocupación de mano de obra
  . Directa (Puestos nuevos de trabajo) — 765
  . Indirecta (Involucrada en el proyecto) — 4

- Generación de divisas — $us. 189.840

- Coeficientes
  . Inversión / Mano de obra directa — $us. 14.312
    (Por cada puesto de trabajo)
  . Producción / Mano de obra directa — $us. 26.266
    (Productividad de la mano de obra)

- Insumos nacionales — $us. 1.812.183 (año)
  (Materias primas y materiales)

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BENI

Recientemente el Directorio de CORDEBENI autorizó el financiamiento descentralizado de la UCF de ésta Corporación, cuenta con un Directorio de 5 miembros, 2 del sector privado y 3 de CORDEPANDO, la planta del personal se compone de 1 Gerente, 1 Evaluador, 1 Contador y Una Secretaria, se alquilará una casa céntrica para el funcionamiento de las oficinas de la UCF para este fin PL-480 le ha asignado un presupuesto de apoyo institucional.

El apoyo de las autoridades de CORDEPANDO es franco, pese a las limitaciones de recursos humanos y financieros de la Corporación.

El trámite para conseguir su personería jurídica como institución pública descentralizada esta en elaboración; para este fin la UCP le prevé todo el apoyo requerido, se prevé concluir para presentar al Ministerio de Planeamiento hasta fines de julio.

Su desempeño es satisfactorio, tal como demuestran las cifras que se presentan a continuación:

Cuadro de Inversiones

El cuadro de inversiones de esta UCF, presenta los siguientes datos:

- Proyectos aprobados	8		
- Proyectos en evaluación	1		
- Monto de créditos con recursos de AID		$us.	1.110.101
- Monto de créditos con recursos de PL-480		"	1.354.395
Cartera total MPC/USAID/B		"	2.464.496

Distribución por Areas y Sectores

La distribución por areas y sectores de los proyectos financiados por esta UCF, es como sigue:

		Número de Proyectos	Monto del Crédito
Area Rural		5	$us. 465.363
Area Urbana		4	" 1.999.130
Sector Agropecuario	$us. 463.363		
Sector Agroindustrial	" 1.455.029		
Sector pequeña industria	" 544.104		

Indicadores de Evaluación

La evaluación ex-ante de estos proyectos presenta los siguientes indicadores de impacto.

- Monto total de las inverisones $us. 7.509.468
  (Aporte propio + crédito MPC/USAID/B + PL-480 + Crédito ICIs)

- Ocupación de Mano de Obra
  . Directa (Puestos nuevos de Trabajo) 291
  . Indirecta (Puestos nuevos de Trabajo_ --

- Coeficientes
  . Inversiones/Mano de Obra Directa $us. 29.057 (por cada puesto de trabajo)
  . Producción/Mano de Obra Directa $us. 31.132 (Productividad de la mano de obra)

- Insumos Nacionales ($us. año) 3.156.060 (Materia prima-materiales)

- Ahorro de divisas $us. 457.142

LA PAZ

La UCF de esta Corporación funciona como un Departamento de CORDEPAZ. El Directorio manifestó voluntad para la descentralización de la UCF, para ello se conformará el Directorio de la UCF hasta fines de julio.

El apoyo de la Presidencia de CORDEPAZ es conflictivo, sin embargo, en base a conversaciones contínuas se está dando pasos positivos para la institucionalización de la UCF, en principio se firmó una Carta de intensiones con la UCP, se ha seleccionado y contratado el personal de Evaluadores, Contador y Secretaria y se está en proceso de selección del Gerente de la UCF. También se ha asignado un espacio físico en una vivienda de CORDEPAZ, situada en la Av. Arce para el funcionamiento de las oficinas de la UCF.

El desempeño de la UCF ha sido satisfactorio, debido a que el personal asignado a la UCF viene trabajando en nuestras oficinas, junto a técnicos de esta Unidad.

Cuadro de Inversiones

- Proyectos Aprobados	11		
- Proyectos en Evaluación	2		
- Monto de créditos con recursos de AID		$us.	1.084.170
- Monto de créditos con recursos PL-480		$us.	1.196.584
- Monto de créditos con recursos Título I			-
Cartera total MPC/USAID/B		$us.	2.280.754

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MPC/USAID/B

Distribución por Areas y Sectores

	Número de Proyectos	Monto de Créditos
- Area Rural	3	885.560
- Area Urbana	8	1.395.194
- Sector Agropecuario		307.240
- Sector Agroindustrial		1.025.975
- Sector Pequeña Industria		947.539
- Sector Artesanal		-

Indicadores de Evaluación

La evaluación ex-ante de estos proyectos presenta los siguientes indicadores de impacto:

- Monto total de inversiones	$us. 5.216.169	
- Ocupación de mano de obra		
. Directa (Puestos nuevos de trabajo)	354	
. Indirecta (Involucrada en el proyecto)	872	
- Generación de divisas	$us. 12.751.511	
- Coeficientes		
. Inversión / Mano de obra directa	15.160	(por c/puesto de trabajo)
. Producción / Mano de obra directa	63.971	(Productividad de mano de obra)
- Insumos Nacionales	10.752.608	
- Ahorro de Divisas	217.439	

ORURO

El apoyo de la Corporación en este caso, hasta antes de la actual administración, fué muy conflictivo, las nuevas autoridades en cambio han mostrado una decidida voluntad de institucionalizar la UCF, se han dado pasos positivos en este sentido, se ha tomado la decisión de aprobar un presupuesto para que la UCF alquile por un año oficinas céntricas en la ciudad de Oruro, tambien se conformó el Directorio ad-hoc de la UCF, integrado por 3 representantes de la Corporación y 3 del sector privado, y se ha nombrado el personal ad-hoc de la UCF, Gerente, Encargado de Proyecto y Auxiliar de Proyecto, Contador, Secretaria y Mensajero.

El Directorio de la Corporación, aprobó el Estatuto Organico para trámite de personería jurídica como institución pública descentralizada.

La UCP ha previsto otorgar asesoramiento para su organización a partir de la segunda semana del presente mes.

Su desempeño es muy positivo, teniendo en cuenta su reciente participación en el programa, a partir del mes de marzo del año en curso, una prueba de esto último es el hecho de haber identificado 41 subproyectos del sector privado productivo regional (ver anexo N° 1)

Cuadro de Inversiones

El cuadro de inversiones de esta UCF, en relación a la linea del Proyecto CRDs es el siguiente:

- Proyectos Identificados 41
- Proyectos Aprobados 7
- Proyectos en Evaluación 34

- Monto de créditos con recursos AID	$us.	78.850
- Monto de créditos con recursos PL-480	"	47.769
Cartera Total MPC/USAID/B	"	126.619

Distribución por Areas y Sectores

La distribución por sectores de producción y áreas de localización de los proyectos de esta UCF es la que sigue:

	Número de Proyectos	Monto del Crédito	
Proyectos en el Area Rural			
Proyectos en el Area Urbana	7	$us.	126.619
Sector artesanía	7	"	126.619

Indicadores de Evaluación

Los indicadores de evaluación ex-ante del impacto de los proyectos de la UCF de Oruro, muestran las siguientes cifras:

- Monto total de Inversiones

(Aporte propio + créditos MPC/USAID/B - PL-480 + créditos ICIs)

$us. 255.619

- Ocupación de mano de obra
  . Directa (Puestos nuevos de trabajo) 148
  . Indirecta (Involucrada en el proyecto) --

- <u>Coeficiente</u>
  - . Inversión/Mano de obra directa $us. 3.478 (por cada puesto de trabajo)
  - . Producción/Mano de obra directa " 25.868 (productividad de la mano de obra)

- Insumos Nacionales ($us. año) 2.650.047 (materias primas y materiales)

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POTOSI

Las autoridades de la administración anterior de CORDEPO no mostraron interés para participar en el Programa, por cuanto la política definida por el Directorio de la Corporación es de ejecutar proyectos, desalentando iniciativas regionales del sector privado productivo.

En cambio, las nuevas autoridades comprendieron los propósitos del Proyecto MPC/USAID/B y mostraron buena predisposición para participar en este sentido, firmaron la Carta de Entendimiento con PL-480 y la UCP en fecha reciente.

El Directorio de CORDEPO aprobó la creación de la UCF, como ente descentralizado; conformó el Directorio ad-hoc con 3 representantes del sector público y 2 del sector privado; facilitó oficinas dentro de la misma Corporación y asignó el personal mínimo, un gerente y un evaluador de entre el personal actual de la Corporación.

La UCP, en forma similar a Oruro, tiene previsto asesorar a la UCF de CORDEPO en materia de organización, elaboración de presupuesto, documentación para trámites de personería jurídica de la UCF a partir de la última semana del mes de julio del presente año, se prevé concluir con la organización y descentralización de la UCF hasta el mes de agosto.

El desempeño de la UCF de CORDEPO, demuestra en el poco tiempo que viene trabajando perspectivas interesantes, pese a que es justo reconocer que el medio es muy difícil por la vocación minera del Departamento.

Cuadro de Inversiones

- Proyectos identificados	13		
- Proyectos aprobados	5		
- Proyectos en evaluación	8		
- Monto de crédito con recursos AID		$us.	92.988
- Monto de crédito con recursos PL-480		$us.	228.198
Cartera total MPC/USAID/B		$us.	321.186

MPO/USAID/B

Distribución por Areas y Sectores

La distribución por sectores de producción y áreas de localización de los proyectos de esta UCF, es la que sigue:

	Número de Proyectos	Monto del Crédito
- Area Rural	2	237.430
- Area Urbana	3	83.756
- Sector Agropecuario	2	237.430
- Sector Agroindustrial	1	33.161
- Sector Artesanal	2	50.595

Indicadores de Evaluación

Los indicadores de evaluación ex-ante del impacto de los proyectos de la UCF de Potosí, muestran las siguientes cifras:

- Monto total de inversiones $us. 492.489
  (Aporte propio + créditos MPC/USAID/B + PL-480 + créditos ICIs)

- Ocupación de mano de obra
  . Directa (Puestos nuevos de trabajo) 56
  . Indirecta (Involucrada en el proyecto) 8

- Coeficientes
  . Inversión / Mano de obra directa $us. 8.853
  (Por cada puesto de trabajo)
  . Producción / Mano de obra directa $us. 12.086
  (Productividad de la mano de obra)

- Insumos Nacionales $us. año 172.422
  (Materiales y materia prima).

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PANDO

La magnitud de la Corporación Regional de Desarrollo de Pando, no amerita por el momento la creación de una Unidad Crediticia Financiera.

No obstante, se presta a CORDEPANDO orientación toda vez que se identifica alguna oportunidad de inversión; lamentablemente el pequeño sector privado de la región orienta su actividad integramente al comercio por su proximidad fronteriza con el Brasil.

d) Participación del Sistema Bancario en el Programa

El Sistema Bancario Privado Nacional viene participando activamente en el programa, como intermediaria de los recursos financieros de las UCFs para apoyar al Sector Productivo Privado mediante créditos de fomento, prueba de ello son las estadísticas que demuestran que para los 103 subproyectos con créditos aprobados participaron 12 ICIs, incluyendo Fenacre, de las 17 instituciones que conforman el Sistema Privado Bancario Nacional incluyendo Bancos de Inversión y Sistema Cooperativo.

El comportamiento de la banca ha sido altamente satisfactorio; pese a que no se ha logrado una flexibilización deseable en materia de requerimiento de garantías.

La distribución de los recursos del Programa MPC/USAID/B en los diferentes bancos, se muestra en el cuadro que sigue:

ANNEX 8
Page 1

MPC/USAID/B

CUADRO DE PARTICIPACION DE ICI EN EL PROGRAMA FINANCIERO DE LAS CORPORACIONES

B A N C O S	B E N I		COCHABAMBA		CHUQUISACA		LA PAZ		ORURO		POTOSI		SANTA CRUZ		TARIJA		T O T A L	
	N°	MONTO	N°	MONTO	N°	MONTO	N°	MONTO	N°	MONTO	N°	MONTO	N°	MONTO	N°	MONTO	N°	MONTO
1. POTOSI							1	249.758									1	249.758.-
2. SANTA CRUZ			1	74.265									17	2.182.679			18	2.256.944.-
3. INVERSIONES							3	612.638									3	612.638.-
4. MERCANTIL													1	70.000	1	608.343	1	678.343.-
5. NACIONAL	2	28.977	1	169.452	4	599.422			1	39.446	1	26.014			1	107.983	10	971.294.-
6. LA PAZ											3	270.591					3	270.591.-
7. BIG BENI	7	2.435.519					1	123.820									8	2.559.339.-
8. COCHABAMBA			20	2.252.490	11	1.988.124	1	62.500	2	40.073			2	664.024			36	5.007.211.-
9. CREDITO ORURO			3	344.231			4	493.652			1	24.581	3	666.060	4	1.741.924	15	3.270.448.-
10. UNION																		
11. HIPOTECARIO							1	672.763	4	47.100			1	1.069.112			6	1.788.975.-
12. FENACRE															1	242.055	1	242.055.-
13. SIN BANCO							2	65.623									2	65.623.-
T O T A L	9	2.464.496	25	2.840.438	15	2.587.546	11	2.280.754	7	126.599	5	321.186	24	4.651.875	7	2.700.305	105	15.973.219.-

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CUADRO CONSOLIDADO DE INVERSIONES CON RECURSOS DEL PROGRAMA

CODIED	NUMERO PROYECTOS MONEDA EXTR.	NUMERO PROYECTOS MONEDA NAL.	EN REFORMULACION O EVALUACION U C P	EVALUACION PL-480	APROBADO PL-480	APROBADO USAID	TOTAL
BENI	8	1		243,585.00	876,376.00	876,396.00	1,119,981.00
COCHABAMBA	24	1	-	-	1,833,108.50	1,772,398.50	1,833,108.50
CHUQUISACA	15	-	-	156,601.70	1,696,771.90	1,696,771.90	1,853,373.60
LA PAZ	14	1	43,252.00	83,650.00	1,008,598.30	851.553.30	1,135,500.30
ORURO	8	32	55,467.00	-	78,849.98	79,849.98	134,316.98
PANDO	-	-	-	-	-	-	-
POTOSI	7	6	-	60,978.86	32,008.96	15,595.00	92,987.82
SANTA CRUZ	20	4	593,073.00	-	1,968,519.01	1,968,519.01	2,561,592.01
TARIJA	7	3	-	84,625.00	1,133,009.08	1,049,755.30	1,217,634.08
TOTAL	103	48	691,792.00	629,440.56	8,627,261.73	8,309,838.99	9,948,494.29

La Paz, julio 14, 1986.

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CUADRO DE INVERSIONES CON RECURSOS DEL PROGRAMA - BENI

CODIGO	NOMBRE DEL PROYECTO	EN REFORMULACION O EVALUACION U C P	EVALUACION PL-480	APROBADO PL-480	APROBADO USAID	T O T A L	OBSERVACIONES
BEN-001	PROD. AGRICOLA CASARABE	-	-	-	-	-	Sólo pesos bolivianos
BEN-002	LECHERO COOP. INT. BENI	-	-	24,888.00	24,888.00	24,888.00	PIL 50T94 19/04/85
BEN-003	QUESERIA "EL DIABLO"	-	-	9,150.00	9,150.00	9,150.00	PIL 64T108 11/09/85
BEN-004	FABRICA ALAMBRE DE PUA	-	-	295,619.00	295,619.00	295,619.00	PIL 48T92 16/08/85
BEN-005	LAB. PROD. VETERINARIOS	-	-	156,127.00	156,127.00	156,127.00	PIL 101T146 06/03/86
BEN-006	MAT. FRIGO. SAN ISIDRO	-	-	-	-	-	Desistió interesado
BEN-007	FABRICA DE JABON	-	-	-	-	-	PIL ANULADA
BEN-008	PLANTA IND. LECHE - TRINIDAD	-	-	317,295.00	317,295.00	317,295.00	PIL 112T156 18/03/86
BEN-009	MAT. FRIGO. SAN BORJA	-	-	-	-	-	Postergado
BEN-010	PRODUCCION LECHE - RIBERALTA	-	-	-	-	-	Postergado
BEN-011	PLANT. GOMA, CAFE Y CASTAÑA	-	-	29,200.00	29,200.00	29,200.00	PIL 105T150 12/03/86
BEN-012	BENEF. ARROZ "INDEPENDENCIA"	-	-	44,117.00	44,117.00	44,117.00	PIL 130T177 26/06/86
BEN-013	ALIMENTOS BALANCEADOS S.A.	-	243,585.00	-	-	243,585.00	Observado
	T O T A L	-	243,585.00	876,396.00	876,396.00	1,119,981.00	

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CUADRO DE INVERSIONES CON RECURSOS DEL PROGRAMA - COCHABAMBA

CODIGO	NOMBRE DEL PROYECTO	EN REFORMULACION O EVALUACION UCP	EVALUACION PL-480	APROBADO PL-480	APROBADO USAID	TOTAL	OBSERVACIONES
COC-001	FABRICA DE LOZA "SULOZA"	-	-	57,250.00	57,250.00	57,250.00	PIL 24HT58 22/11/85
COC-002	HAFRO LTDA.	-	-	263,983.00	263,983.00	263,983.00	PIL 46T90 20/08/85
COC-003	COMPOST	-	-	-	-	-	Sólo pesos bolivianos
COC-004	PRODUC. AGROPECUARIA CAICO	-	-	99,908.00	99,908.00	99,908.00	PIL 63T107 09/09/85
COC-005	FLORES DEL VALLE ALTO	-	-	101,237.00	101,237.00	101,237.00	PIL 32T76 09/04/85
COC-006	AGRICOLA JUAN FLORES	-	-	13,700.00	13,700.00	13,700.00	PIL 72T116 13/09/85
COC-007	CRISANTEMOS SAAVEDRA	-	-	138,395.00	138,395.00	138,395.00	PIL 57T101 09/09/85
COC-008	FLORES W. SAAVEDRA	-	-	54,458.00	54,458.00	54,458.00	PIL 60T104 09/09/85
COC-009	FLORES A. GALINDO	-	-	75,650.00	75,650.00	75,650.00	PIL 51T95 09/09/85
COC-010	FLORES C. HINOJOSA	-	-	67,993.00	67,993.00	67,993.00	PIL 76T121 12/11/85
COC-011	FLORES C. SADNERO	-	-	50,000.00	50,000.00	50,000.00	PIL 55T99 09/09/85
COC-012	FLORES H. ADRIAZOLA	-	-	79,267.00	79,267.00	79,267.00	PIL 54T98 09/09/85
COC-013	FLORES L. MENDEZ	-	-	103,881.50	103,881.50	103,881.50	PIL 88T133 13/01/86
COC-014	FLORES A. DE ASIN	-	-	78,640.00	78,640.00	78,640.00	PIL 59T103 09/09/85
COC-015	FLORES J. DIBBOS	-	-	41,898.00	41,898.00	41,898.00	PIL 52T96 09/09/85
COC-016	FLORES D. SORIANO	-	-	103,913.00	103,913.00	103,913.00	PIL 99T144 06/03/86
COC-017	AGRICOLA FERNANDEZ	-	-	14,997.00	14,997.00	14,997.00	PIL 71T115 02/10/85
COC-018	AGRICOLA A. VOCAL	-	-	13,977.00	13,977.00	13,977.00	PIL 70T114 12/09/85
COC-019	AGRICOLA "ORCOCALLPA"	-	-	-	-	-	Desestimado
COC-020	AGRICOLA ERNESTO CAMACHO	-	-	29,374.00	29,374.00	29,374.00	PIL 127T171 30/04/86
COC-021	ADEPLEC	-	-	141,160.00	141,160.00	141,160.00	PIL 85T130 11/12/85
COC-022	ARTESANIAS M. ANTEZANA	-	-	14,390.00	14,390.00	14,390.00	PIL 78T112 14/11/85
COC-023	AGRICOLA L. CAMACHO	-	-	-	-	-	Desestimado
COC-024	FOTRAMA	-	-	-	-	-	PIL Anulada
COC-025	FLANPULPA	-	-	97,507.00	97,507.00	97,507.00	PIL 81T125 20/11/85
COC-026	FLOR DE EMPRESA	-	-	13,500.00	13,500.00	13,500.00	PIL 95T140 05/02/86
COC-027	GRANJA MODELO	-	-	-	-	-	Pend. Estudio Nal.
COC-028	GRANJA AVICOLA FERNANDEZ	-	-	-	-	-	Reorientado a otra line de financiamiento
COC-029	FABRICA SAL MINERALIZADA	-	-	117,320.00	117,320.00	117,320.00	PIL 133T181 1/07/86
COC-030	LECHE DE SOYA "LESOY"	-	-	60,710.00	-	60,710.00	Pend. Aprob. USAID/B
	TOTAL	-	-	1,833,108.50	1,772,398.50	1,833,108.50	

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CUADRO DE INVERSIONES CON RECURSOS DEL PROGRAMA - CHUQUISACA

CODIGO	NOMBRE DEL PROYECTO	EN REFORMULACION O EVALUACION U C P	EVALUACION PL-480	APROBADO PL-480	APROBADO USAID	T O T A L	OBSERVACIONES
CHU-001	MERMELADAS "RIO CHICO"	-	-	47,663.00	47,663.00	47,663.00	PIL 115T159 24/[illegible]/86
CHU-002	PLANTA ALIM. BALAN. ANTEZANA	-	-	21,0[illegible].00	21,017.00	21,017.00	PIL 26T66 30/[illegible]1/85
CHU-003	AGROCENTRAL	-	-	277,822.00	277,822.00	277,822.00	PIL 131T179 2[illegible]/[illegible]/86
CHU-004	FABRICA CHARANGOS	-	-	-	-	-	PIL Anulada
CHU-005	FABRICA JAMONES/EMBUTIDOS	-	-	139,082.00	139,082.00	139,082.00	PIL 91T135 17/[illegible]1/86
CHU-006	CITRICOS Y PAPAS	-	-	-	-	-	Desestimado
CHU-007	FABRICA SOMBREROS-CHARCAS	-	-	600,620.00	600,620.00	600,620.00	PIL 86T131 2[illegible]/1[illegible]/85
CHU-008	LECHERO "EL ALFAR"	-	-	25,173.00	25,173.00	25,173.00	PIL 65T109 1[illegible]/[illegible]/85
CHU-009	CONSTRUCCION ATAJADOS	-	-	213,000.00	213,000.00	213,000.00	PIL 49T93 1[illegible]/[illegible]/85
CHU-010	COOPERATIVA INCAHUASI	-	-	57,500.00	57,500.00	57,500.00	PIL 96T141 1[illegible]/[illegible]/86
CHU-011	LECHERO "LA BRISA"	-	-	22,902.00	22,902.00	22,902.00	PIL 62T106 1[illegible]/[illegible]/85
CHU-012	LECHERO "GUADALUPE"	-	-	17,950.00	17,950.00	17,950.00	PIL 66T110 1[illegible]/[illegible]/85
CHU-013	AVICOLA "SAN JOSE"	-	-	12,466.00	12,466.00	12,466.00	PIL 89T134 1[illegible]/[illegible]1/86
CHU-014	ROBLEDAL	-	-	151,770.90	151,770.90	151,770.90	PIL 79T123 14/11/85
CHU-015	AVICULTURA DEPARTAMENTAL	-	-	-	-	-	Pend. Estudio [illegible]
CHU-016	APICOLA "MABOL S.R.L."	-	-	-	-	-	Financiado UCI Chuq.
CHU-017	APICOLA "PITANTORILLA"	-	-	28,340.00	28,340.00	28,340.00	PIL 111T155 1[illegible]/[illegible]/86
CHU-018	AVICOLA "TAPIA"	-	-	-	-	-	En observación UCF
CHU-019	BALANCEADOS "ALBAY"	-	-	-	-	-	Pend. Estudio [illegible]
CHU-020	AVICOLA "LA GRANJA"	-	-	-	-	-	Pend. Estudio [illegible]
CHU-021	AVICOLA "EL RECREO"	-	-	-	-	-	Pend. Estudio [illegible]
CHU-022	FAB. JAMONES Y EMB. "CHUQUISACA"	-	156,601.70	-	-	156,601.70	Observado
CHU-023	PLANTA IND. DE MANI	-	-	81,466.00	81,466.00	81,466.00	PIL 137T185 [illegible]/[illegible]/86
	T O T A L	-	156,601.70	1,696,771.90	1,696,771.90	1,853,373.60	

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CUADRO DE INVERSIONES CON RECURSOS DEL PROGRAMA - LA PAZ

CODIGO	NOMBRE DEL PROYECTO	EN REFORMULACION O EVALUACION U C P	EVALUACION PL-480	APROBADO PL-480	APROBADO USAID	T O T A L	OBSERVACIONES
LPZ-001	PROYECTO LA LANA (I)	-	-	-	-	-	Sólo pesos bolivianos
LPZ-002	ANPROCA	-	-	140,235.00	140,235.00	140,235.00	PIL 29T62 14/03/85
LPZ-003	CHIJIPINA GRANDE	-	-	19,560.00	19,560.00	19,560.00	PIL 36T80 11/06/85
LPZ-004	FABRICA DE PEGAMENTOS	-	-	-	-	-	PIL Anulada
LPZ-005	IMPEXFRI	-	-	76,468.00	76,468.00	76,468.00	PIL 108T152 14/03/86
LPZ-006	INDUSTRIAS CAFE "EL CONVENTO"	-	-	-	-	-	Desestimado
LPZ-007	BENEF. ARROZ "ALBORADA"	-	-	27,190.00	27,190.00	27,190.00	PIL 92T1[illegible] 21/01/86
LPZ-008	CAFE TOHOMONOCO ALTO BENI-SAAB	-	-	269,078.30	269,078.30	269,078.30	PIL 97T142 06/03/86
LPZ-009	PROYECTO LA LANA (II)	-	-	93,489.00	93,489.00	93,489.00	PIL 125T169 09-04-86
LPZ-010	INESTAZO	-	-	51,405.00	51,405.00	51,405.00	PIL 104T149 12/03/86
LPZ-011	PROINCO	-	-	98,235.00	98,235.00	98,235.00	PIL 110T160 01/04/86
LPZ-012	CAFE "SAN FELIX"	10,468.00	-	-	-	10,468.00	A presentar
LPZ-013	FARANI (CERAMICA ROJA)	-	-	157,045.00	-	157,045.00	Pend. Aprob. USAID/B
LPZ-014	CUNICULA ANGORA	-	83,650.00	-	-	83,650.00	
LPZ-015	PRODUIMICA LTDA.	-	-	75,893.00	75,893.00	75,893.00	PIL 136T184 02/07/86
LPZ-016	INVERNADERO FRUTILLAS	13,784.00	-	-	-	13,784.00	A presentar
LPZ-017	PATOS TIPO PARRILLERO	19,000.00	-	-	-	19,000.00	A presentar
	T O T A L	43,252.00	83,650.00	1,008,598.30	851,553.30	1,135,500.30	

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CUADRO DE INVERSIONES CON RECURSOS DEL PROGRAMA - ORURO

CODIGO	NOMBRE DEL PROYECTO	EN REFORMULACION O EVALUACION U C P	EVALUACION PL-480	APROBADO PL-480	APROBADO USAID	T O T A L	OBSERVACIONES
ORU-001	ASOC. PELETEROS SANTIAGO HUARI	-	-	33,401.00	33,401.00	33,401.00	PIL 80T124 14/11/85
ORU-002	COOP. AGRICOLA "VENTILLA LTDA."	-	-	-	-	-	Desestimado
ORU-003	COOP. ARTESANAL "N.S. DE FATIMA"	-	-	9,969.00	9,969.00	9,969.00	PIL 113T157 24.03/86
ORU-004	COOP. ARTESANAL "KARAZAFATO"	-	-	10,849.98	10,849.98	10,849.98	PIL 114T158 24/03/86
ORU-005	PELETERIA "SAN JOSE"	-	-	4,935.00	4,935.00	4,935.00	PIL 126T170 21/04/86
ORU-006	PELETERIA DE RAUL MORALES	-	-	4,935.00	4,935.00	4,935.00	PIL 126T170 21/04/86
ORU-007	ARTESANIAS "INTI",	-	-	7,380.00	7,380.00	7,380.00	PIL 126T170 21/04/86
ORU-008	PELETERIA "INCA HUASI"	-	-	7,380.00	7,380.00	7,380.00	PIL 126T170 21/04/86
ORU-009	ARTESANAL "ARTE BOLIVIA"	-	-	-	-	-	(TITULO I)
ORU-010	MUEBLES "E. FATZI"	-	-	-	-	-	(TITULO I)
ORU-011	MUEBLES "AVARDA"	-	-	-	-	-	(TITULO I)
ORU-012	MUEBLES "LUIS XV"	-	-	-	-	-	(TITULO I)
ORU-013	MUEBLES "BOLIVIA"	-	-	-	-	-	(TITULO I)
ORU-014	MUEBLES "ZENCARB"	-	-	-	-	-	(TITULO I)
ORU-015	MUEBLES "CASA MAPLAST"	-	-	-	-	-	(TITULO I)
ORU-016	CALZADOS "LA ESTRELLA"	-	-	-	-	-	(TITULO I)
ORU-017	ARTESANAL "MUEBLES CONFORT"	-	-	-	-	-	(TITULO I)
ORU-018	ZAPATERIA "GAMBOA"	-	-	-	-	-	(TITULO I)
ORU-019	PELETERIA "COPACABANA"	-	-	-	-	-	(TITULO I)
ORU-020	ZAPATERIA "RELAMPAGO"	-	-	-	-	-	(TITULO I)
ORU-021	ARTESANIAS CUERO-CALZADOS	-	-	-	-	-	(TITULO I)
ORU-022	AGROPECUARIO "BELLOTA"	-	-	-	-	-	En reformulación
ORU-023	TALLER "ELENURBA"	-	-	-	-	-	(TITULO I)
ORU-024	TAPICERIA/CARP. "ORTIZ CHOQUE"	-	-	-	-	-	(TITULO I)
ORU-025	ARTESANIAS "SAJAMA"	-	-	-	-	-	(TITULO I)
ORU-026	ARTESANAL MOLINO "LA SALUD"	-	-	-	-	-	(TITULO I)
ORU-027	ARTESANIAS "ALPATEX"	-	-	-	-	-	(TITULO I)
ORU-028	ARTESANAL TEJIDOS "MARTINEZ"	-	-	-	-	-	(TITULO I)
	S U B T O T A L	-	-	78,849.98	78,849.98	78,849.98	

CODIGO	NOMBRE DEL PROYECTO	EN REFORMULACION O EVALUACION U C P	EVALUACION PL-480	APROBADO PL-480	APROBADO USAID	T O T A L	OBSERVACIONES
	S U B T O T A L	-	-	78,849.98	78,849.98	78,849.98	
ORU-029	ARTESANIAS INDUS. BOLIVIANAS	-	-	-	-	-	(TITULO I)
ORU-030	ARTESANAL MOLINO "COPACABANA"	-	-	-	-	-	(TITULO I)
ORU-031	AGROIN. "ANTACAGUA JUCHUSUMA"	-	-	-	-	-	En reformulación
ORU-032	AGROIN. "VIRGEN CONCEPCION"	-	-	-	-	-	En reformulación
ORU-033	AGROINDUSTRIAL "MAYUTAPAMPA"	-	-	-	-	-	En reformulación
ORU-034	AGROINDUSTRIAL "CAYACHATA"	-	-	-	-	-	En reformulación
ORU-035	ARTESANAL MOLINO "EL INCA"	-	-	-	-	-	(TITULO I)
ORU-036	ARTESANAL MOLINO "EL GRANERO"	-	-	-	-	-	(TITULO I)
ORU-037	ARTESANAL "REMBERT"	-	-	-	-	-	En reformulación
ORU-038	ARTESANAL MOLINO "SAN AGUSTIN"	-	-	-	-	-	(TITULO I)
ORU-039	SOTEEL S.R.L.	55,467.00	-	-	-	55,467.00	En reformulación-UCP
ORU-040	AGROPECUARIO "UCHUSUMA"	-	-	-	-	-	En reformulación
ORU-041	ARTESANAL "SANTA ANA"	-	-	-	-	-	(TITULO I)
	T O T A L	55,467.00	-	78,849.98	78,849.98	134,316.98	

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CUADRO DE INVERSIONES CON RECURSOS DEL PROGRAMA - PANDO

CODIGO	NOMBRE DEL PROYECTO	EN REFORMULACION O EVALUACION U C P	EVALUACION PL-480	APROBADO PL-480	APROBADO USAID	T O T A L	OBSERVACIONES
PAN-001	GANADERO "SAN FRANCISCO"	-	-	-	-	-	Reversión de fondos
	T O T A L	-	-	-	-	-	

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CUADRO DE INVERSIONES CON RECURSOS DEL PROGRAMA - POTOSI

CODIGO	NOMBRE DEL PROYECTO	EN REFORMULACION O EVALUACION U C P	EVALUACION PL-480	APROBADO PL-480	APROBADO USAID	T O T A L	OBSERVACIONES
POT-001	CERAMICA ARTESANAL POTOSI	-	-	15,595.00	15,595.00	15,595.00	PIL 107T151 14/03/86
POT-002	FRUTICOLA "TURUCHIPA"	-	5,861.70	-	-	5,861.70	
POT-003	PLANTA DESHIDRATADORA ALIMENTOS	-	-	10,229.00	-	10,229.00	
POT-004	FABRICA DE ROPA DE CUERO	-	-	6,184.96	-	6,184.96	
POT-005	FABRICA MUEBLES COLONIALES	-	13,141.00	-	-	13,141.00	
POT-006	ENGORDE GANADO VACUNO	-	25,631.16	-	-	25,631.16	
POT-007	GRANJA AVICOLA "RIVERO"	-	-	-	-	-	En reformulación - UCP
POT-008	GRANJA AVICOLA "PRADA"	-	-	-	-	-	En reformulación - UCP
POT-009	PORCINOS "DELGADO"	-	-	-	-	-	En reformulación - UCP
POT-010	CRIA DE CABRAS LECHERAS	-	16,345.00	-	-	16,345.00	Observado
POT-011	CULTIVO DE PAPA "SAMASA"	-	-	-	-	-	(TITULO I)
POT-012	LECHERO "GUSTAVO DIAZ"	-	-	-	-	-	(TITULO I). En UCP
POT-013	ARTESANIAS "PALOMITA"	-	-	-	-	-	(TITULO I)
	T O T A L	-	60,978.86	32,008.96	15,595.00	92,987.82	

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CUADRO DE INVERSIONES CON RECURSOS DEL PROGRAMA - SANTA CRUZ

CODIGO	NOMBRE DEL PROYECTO	EN REFORMULACION O EVALUACION U C P	EVALUACION PL-480	APROBADO PL-480	APROBADO USAID	T O T A L	OBSERVACIONES
SRZ-001	APICOLA "LAS LIRAS" (I)	-	-	-	-	-	Sólo pesos bolivianos
SRZ-002	ARTESANIAS "PILAR"	-	-	6,765.00	6,765.00	6,765.	PIL 24BT60 15/10/84
SRZ-003	ACEITES ESENCIALES SAN JULIAN	-	-	51,898.00	51,898.00	51,898.	PIL 245T52 15/10/84
SRZ-004	ARROCERO "EL CARMEN"	-	-	20,862.00	20,862.00	20,862.	PIL 45T89 12/08/84
SRZ-005	ARROCERO "SANTA MARTHA"	-	-	7,236.00	7,236.00	7,236.	PIL 24ET54 15/08/84
SRZ-006	CHOCOLATES "PRINCESA"	-	-	61,343.00	61,343.00	61,343.	PIL 24GT57 08/11/84
SRZ-007	BALANCEADOS "YAPACANI"	-	-	276,143.00	276,143.00	276,143.	PIL 24GT60 27/11/84
SRZ-008	COOPALAS - SAN JOSE	-	-	53,239.64	53,239.64	53,239.	PIL 30T73 15/04/85
SRZ-009	INTIEXPORT	-	-	-	-		Sólo pesos bolivianos
SRZ-010	ARROCERO "SAN PABLO"	-	-	35,745.00	35,745.00	35,745.	PIL 31T71 13/03/85
SRZ-011	PLANTACION "LOS LIMONES"	-	-	-	-	-	Sólo pesos bolivianos
SRZ-012	PETHOSAM	-	-	120,315.00	120,315.00	120,315.	PIL 119T163 07/04/86
SRZ-013	TEXTILES "GEORGINO"	-	-	61,560.00	61,560.00	61,560.	PIL 42T86 13/07/85
SRZ-014	ARROCERO "ARROBOL"	-	-	21,498.00	21,498.00	21,498.	PIL 69T113 11/09/85
SRZ-015	FABRICA DE MAPLES	-	-	238,875.00	238,875.00	238,875.	PIL 47T91 16/08/85
SRZ-016	TALLERES DE TECNOLOGIA	-	-	-	-	-	PIL Anulada (TITULO I)
SRZ-017	PANIFICADORA "LA PROVIDENCIA"	-	-	-	-	-	Reorientado a otra línea de financiamiento (PL-480 desembolsó $b.)
SRZ-018	FRUTICOLA "SAN LORENZO TORRENTE"	-	-	-	-	-	PIL 68T112 12/09/85
SRZ-019	AVICOLA "WARNES"	-	-	86,922.00	86,922.00	86,922.	PIL 110T154 14/03/86
SRZ-020	MAQ. ARTES. P/PANIFICADORES	-	-	-	-	-	Reorientado a otra línea de financiamiento
SRZ-021	TERM. GRANERO-PTO. QUIJARRO	593,073.00	-	-	-	593,073.	Pend. Aprob.
SRZ-022	ROSQUITAS MABEL-FAGAL S.R.L.	-	-	304,770.00	304,770.00	304,770.	PIL 109T153 14/03/86
SRZ-023	BENEF. ARROZ "PROBEACA"	-	-	-	-	-	Pend. Def. CORDECRUZ
SRZ-024	COOP. AGROINDUSTRIAL CAICO	-	-	332,928.37	332,928.37	332,928	PIL 124T168 07/04/86
SRZ-025	MEJORAMIENTO GENETICO	-	-	70,000.00	70,000.00	70,000.	PIL 178T162 03/04/86
SRZ-026	SILOS PARA ACOPIO DE GRANOS	-	-	149,537.00	149,537.00	149,537	PIL 122T166 07/04/86
SRZ-027	BENEF. ARROZ R.MARTINEZ	-	-	-	-	-	Pend. Def. CORDECRUZ
SRZ-028	APICOLA "LAS LIRAS" (II)	-	-	43,350.00	43,350.00	43,350	PIL 121T165 07/04/86
SRZ-029	ASPRUS	-	-	25,532.00	25,532.00	25,532	PIL 120T164 07/04/86
	T O T A L	593,073.00	-	1,968,519.01	1,966,519.01	2,561,59.	

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CUADRO DE INVERSIONES CON RECURSOS DEL PROGRAMA - TARIJA

CODIGO	NOMBRE DEL PROYECTO	EN REFORMULACION O EVALUACION U C P	EVALUACION PL-480	APROBADO PL-480	APROBADO USAID	T O T A L	OBSERVACIONES
TAR-001	PARRILLEROS AVIT-001	-	-	151,309.50	151,309.50	151,309.50	PIL 37T81 25/06/85
TAR-002	PONEDORAS AVIT-002	-	-	346,953.00	348,953.00	348,953.00	PIL 38T82 24/06/85
TAR-003	PARRILLEROS AVIT-003	-	-	175,054.80	175,054.80	175,054.80	PIL 39T03 24/06/85
TAR-004	COOPERATIVA GRAN CHACO	-	-	300,185.00	300,185.00	300,185.00	PIL 117T161 07/04/86
TAR-005	LECHERO EIVER UZQUEDA	-	-	-	-	-	(TITULO I)
TAR-006	LECHERO C. CUELLAR	-	-	-	-	-	(TITULO I)
TAR-007	CUNICULA "SAGA LTDA."	-	-	74,253.00	74,253.00	74,253.00	PIL 123T167 07/04/86
TAR-008	AMPLIACION BODEGA "COINCA"	-	84,625.00	-	-	84,625.00	
TAR-009	COMERZ. CARNE BLANCA	-	-	83,253.78	-	83,253.78	
TAR-010	AGRICOLA "MONTE MENDEZ"	-	-	-	-	-	(TITULO I)
	T O T A L	-	84,625.00	1,133,009.08	1,049,755.30	1,217,634.08	

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Certification Pursuant to Section 611 (e) of The Foreign Assistance Act of 1961, As Amended

I, David A. Cohen, the principal officer of the Agency for International Development in Bolivia, having taken into account among other factors the maintenance and utilization of projects in Bolivia previously financed or assisted by the United States, do hereby certify that in my judgement Bolivia has both the financial capability and human resources capability to effectively maintain and utilize the capital assistance project: Market Town Capital Formation.

David A. Cohen
Director, USAID/Bolivia