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UNCLASSIFIED

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

BOLIVIA

PROJECT PAPER

MARKET TOWN CAPITAL FORMATION

Amendment No 1

AID/LAC/P-541  
CR P-301

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

UNCLASSIFIED

<b>AGENCY FOR INTERNATIONAL DEVELOPMENT</b> <b>PROJECT DATA SHEET</b>	<b>1. TRANSACTION CODE</b> <input type="checkbox"/> A = Add <input checked="" type="checkbox"/> C = Change <input type="checkbox"/> D = Delete	<b>Amendment Number</b> _____ 1	<b>DOCUMENT CODE</b> 3
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<b>2. COUNTRY/ENTITY</b> BOLIVIA	<b>3. PROJECT NUMBER</b> 511-0573
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<b>4. BUREAU/OFFICE</b> L A C	<b>5. PROJECT TITLE (maximum 40 characters)</b> MARKET TOWN CAPITAL FORMATION
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<b>6. PROJECT ASSISTANCE COMPLETION DATE (PACD)</b> MM DD YY 07 22 91	<b>7. ESTIMATED DATE OF OBLIGATION</b> (Under 'B' below, enter 1, 2, 3, or 4) A. Initial FY <u>86</u> B. Quarter <u>4</u> C. Final FY <u>91</u>
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8. COSTS (\$000 OR EQUIVALENT \$1 = )						
A. FUNDING SOURCE	FIRST FY <u>86</u>			LIFE OF PROJECT		
	B. FX	C. L/C	D. Total	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.						
2.						
Host Country	-	1,400	1,400	-	6,900	6,900
Other Donor(s)	-	3,300	3,300	-	16,500	16,500
<b>TOTALS</b>	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		D. OBLIGATIONS TO DATE		E. AMOUNT APPROVED THIS ACTION		F. LIFE OF PROJECT	
		1. Grant	2. Loan	1. Grant	2. Loan	1. Grant	2. Loan	1. Grant	2. Loan
		(1)	120/150	110				2,206	3,750
(2)									
(3)									
(4)									
<b>TOTALS</b>						2,206	3,750	3,500	15,000

<b>10. SECONDARY TECHNICAL CODES (maximum 5 codes of 3 positions each)</b> 140      190	<b>11. SECONDARY PURPOSE CODE</b>
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<b>12. SPECIAL CONCERNS CODES (maximum 7 codes of 4 positions each)</b> A. Code      BR      BL      BF      BU	B. Amount
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**13. PROJECT PURPOSE (maximum 480 characters)**

The purpose of the Project is to increase the level of productive private sector investment in Bolivia's rural and urban areas.

<b>14. SCHEDULED EVALUATIONS</b> Interim    MM YY    MM YY    Final    MM YY 09 88             05 91	<b>15. SOURCE/ORIGIN OF GOODS AND SERVICES</b> Grant    Loan    Grant/Loan <input checked="" type="checkbox"/> 000 <input checked="" type="checkbox"/> 941 <input checked="" type="checkbox"/> Local <input type="checkbox"/> Other (Specify)
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**16. AMENDMENTS/NATURE OF CHANGE PROPOSED (This is page 1 of a \_\_\_\_\_ page PP Amendment.)**

This amendment lifts the geographical restrictions of the Project, thus permitting lending to subprojects which are located in the main urban areas of La Paz, Cochabamba and Santa Cruz.

<b>17. APPROVED BY</b>	Signature: <i>[Handwritten Signature]</i> Title: _____	<b>18. DATE DOCUMENT RECEIVED IN AID/W, OR FOR AID/W DOCUMENTS, DATE OF DISTRIBUTION</b> Date Signed: MM DD YY 02 13 89
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PROJECT AUTHORIZATION

(Amendment No.1)

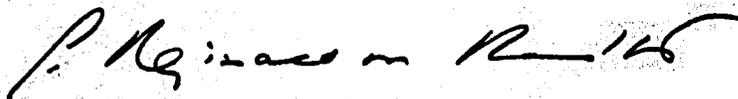
Name of Country: Bolivia  
Name of Project: Market Town Capital Formation  
Name of Project: No.511-0573

1. Pursuant to Section 106 of the Foreign Assistance Act of 1961, as amended, the Market Town Capital Formation Project was authorized on July 21, 1986 (the "Authorization"). The Authorization is hereby amended as follows:

a) The first sentence of paragraph 2 is deleted in its entirety and the following substituted in lieu thereof:

The purpose of the Project is to increase the level of productive private sector investment in Bolivia's rural and urban areas.

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

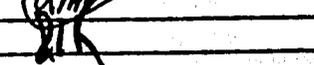


G. Reginald van Raalte  
Mission Director

Date: February 13, 1989

<sup>W</sup>  
PD&I:LValenzuela

CLEARANCES

PS:DJessee (in draft)  
PS:RMoyers (in draft)  
PD&I:JJCloutier (in draft)  
DP:AAFunicello (in draft)  
CONT:JDavison (in draft)  
RLA:ADNewton (in draft)  
PD&I:AMDíaz   
A/DD:ELkadunc 

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MARKET TOWN CAPITAL FORMATION PROJECT  
PROJECT PAPER AMENDMENT No.1

The Market Town Capital Formation Project Agreement was signed on July 23, 1986. In August 1988, a mid-term evaluation was carried out by the International Science and Technology Institute (ISTI) to review the original project design, to consider fundamental issues which may affect the eventual success of the Project, and to measure progress toward attainment of the stated purpose of the Project.

The ISTI evaluation identified various problems which have contributed to the project's slow implementation. A number of modifications in operational areas were recommended, many of which are now being implemented. A major recommendation, however, pertained to the elimination of the geographical restrictions, which have only allowed project financing in rural and semi-urban areas. The evaluation argued that the exclusion of the main urban areas of La Paz, Cochabamba and Santa Cruz had limited the ability of the Project to reach the volume of lending necessary to achieve the financial self-sufficiency of the UCP/UCFs system. The problem lay in the fact that the so-called secondary towns, being weak in terms of infrastructure, amenities, business networks and access to markets, appeared to lack the necessary entrepreneurial initiative to generate a high demand for productive project credit. Furthermore, the private intermediate credit institutions seemed to lack strong incentives to work in these secondary areas.

Therefore, the ISTI evaluation recommended that the Project finance investments in the main urban areas of La Paz, Cochabamba, and Santa Cruz, particularly if such investments have significant forward and backward linkages to the rural economy. Moreover, the evaluation emphasized the critical importance of reactivating the economy and suggested that the elimination of the geographical restrictions would contribute to this reactivation.

Based on an analysis of the findings and recommendations of the mid-term evaluation, the Mission is executing this amendment to the Project Paper to allow the financing of subprojects located in the main urban areas of La Paz, Cochabamba, and Santa Cruz for up to 50 percent of the remaining DDC and Market Town portfolio. In order to be approved, these subprojects must have forward and backward linkages to rural and semi-urban areas.

The flexibility in the geographical restrictions is expected to achieve the following:

- Re-focus on the urgent priority needs of Bolivia's economic reactivation.
- Maintain an emphasis, included in the Project Paper, to generate positive impacts in rural areas.
- Reach a volume of lending necessary for achieving the financial self-sufficiency of the system.

The eligibility criteria for credit requests from the urban areas of La Paz, Cochabamba and Santa Cruz, will be the same as those presently applied to projects from secondary areas. However, in addition, these urban projects will be required to have backward and forward linkages to rural and semi-urban economies.

The approval process for these projects will follow that established for the overall system, as described in the Credit Operating Manual.

As a result of these modifications the major outputs will need adjustment:

<u>Current Outputs</u>	<u>Amended Outputs</u>
1) Productive private sector investments totalling approximately US\$37.5 million.	1) Productive and services related private sector investments totalling approximately \$32 million.
2) A functioning UCF Credit Fund	2) A self-sufficient system which will finance and promote private sector investments
3) Improved rural and secondary town lending operations for up to eight ICIs.	3) Five improved and strengthened ICIs for better management of their development lending programs throughout Bolivia.
4) Eight fully operational UCFs.	4) The Unidades Crediticias Financieras will have improved their capability to promote investments.
	5) Three functioning priority market town pilot projects

The basic design of the three major components of the Project will remain unchanged: 1) the further development of a decentralized investment financing system, 2) investment promotion, and 3) improvement of the capabilities of the institutions involved in the Project.

All other provisions in the Project Paper remain unchanged.

Findings of the ISTI evaluation and a number of specific recommendations, among them the elimination of the geographic restrictions, were approved in an Action Memorandum to the Director dated October 25, 1988.

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