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**PROA: SUSTAINABILITY STRATEGIES,
EVALUATION, AND LESSONS LEARNED**

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TABLE OF CONTENTS

I.	EXECUTIVE SUMMARY	1
II.	INTRODUCTION	5
	2.1 Objectives and Method of this Report	5
	2.2 Key Issues for the Transition from Pilot Project to Established Program: Sustainability, Extension, and Focus	6
III.	PROA'S METHOD	10
	3.1 Participation	10
	3.2 Coalition Building and Municipal Strengthening	13
IV.	PROA'S OBJECTIVES, PROJECTS, AND RECORD OF COST RECOVERY AND REVENUE DIVERSIFICATION	21
	4.1 PROA's Objectives	21
	4.2 PROA's Projects	22
	4.3 PROA's Record of Cost Recovery and Revenue Diversification	30
	4.4 Priority for PROA Projects Based on Financial Sustainability Criteria	34
V.	PROA'S ORGANIZATION	35
	5.1 Organization and Management Structure	36
	5.2. PROA's Board of Directors and Staff	38
VI.	SUSTAINABILITY STRATEGIES FOR PROA AND RECOMMENDATIONS FOR AID	40
	6.1 Projected Budget and Revenue Gap for 1992 and 1993	40
	6.2 Sustainability Strategies for PROA	41
	6.3 Recommendations for AID	44

VII. LESSONS LEARNED	46
7.1 Promoting Municipal Development and Local Democracy: From the Top-Down, the Bottom-Up, or Both?:	46
7.2 PROA: Catalyst or Implementer?	47
7.3 Gender Considerations	48
7.4 Other Operational Lessons	48
APPENDIX I: REPORT METHOD	50
APPENDIX II: INSTITUTIONS AND PERSONS CONSULTED	51
APPENDIX III: DOCUMENTS CONSULTED	52
APPENDIX IV: PROA SEMINAR AND PARTICIPANT LIST	53
APPENDIX V: STATEMENT OF WORK	55

I. EXECUTIVE SUMMARY

1. PROA's activities contribute to all five of AID-Bolivia's program objectives. Most fundamental, PROA has strengthened local democracy by working with local government and community groups in the fastest growing and one of the poorest urban municipalities in Bolivia, El Alto. PROA now faces a difficult transition: from successful pilot project to established organization. Its key future objective should be financial sustainability. The method of the evaluation included a 2 1/2 day strategic planning workshop with PROA management to analyze and redefine PROA's focus.

2. **METHOD.** PROA uses two key approaches to develop projects: participation, which stimulates neighborhood people and community groups to analyze development needs and launch projects; and coalition building, which focuses a wide array of international, national, and local organizations on addressing specific issues in El Alto.

Participation:

- Successes: Its participatory method has gained PROA great credibility with local people and many organizations, and has contributed to organizing 5 of 187 neighborhoods in El Alto.

- Problems: PROA has yet to extend its community work to the bulk of El Alto and its community development methods use a large portion (30-40%) of its budget.

- Recommendations: PROA must become more project-driven in order to achieve higher cost recovery and expand its geographic scope. Its participatory approach must support its projects rather than be its principal program focus.

Coalition Building:

- Successes: PROA has helped attract US \$38.4 million in investment to El Alto with only \$1.25 million in AID funding. It has played a primary role in leveraging \$16.3 million of this total. PROA has maintained good relations with local government and other organizations in El Alto despite a highly politicized environment, and has become an effective coordinator of coalitions that address El Alto's problems.

- Problems: Despite considerable efforts, PROA has made little progress in strengthening El Alto's local government, largely because of the weakness of the municipality. Local government in Bolivia suffers from many problems--including few or no trained staff, low technical and managerial capacity, and a problematic electoral process. The municipality of El Alto shares these generic problems, but was founded only in 1985 and is populated overwhelmingly by poor rural migrants. As a result of its frustrating experiences with local government, PROA now favors working with community organizations and from the "bottom up." PROA has neglected to generate revenues from its role as a coordinator of coalitions.

- Recommendations: PROA must set revenue goals for its role as a coalition organizer; PROA should work with local government when a collaborative mayor is in office and focus on the grassroots otherwise.

3. PROJECTS. PROA has launched many projects in the areas of employment, housing, health, and "innovations." Each project is analyzed and recommendations made. From the perspective of sustainability, these projects fall into 4 categories.

- High potential for both cost recovery and expansion, which should receive more staff time as needed.

- Medium to high potential for cost recovery in 2-3 years, but small scale and low cost recovery currently. PROA must invest money and time to develop these markets of the future, but should drop any project that can not be expanded to cover to cover its costs within 2 years.

- Pending donor-sponsored investment funds. PROA should aggressively pursue these projects in order to diversify its revenue base.

- Low potential for cost recovery, no matter what the scale. PROA should discontinue these projects unless funding becomes available--that is, immediately, for projects with little chance of funding and in no more than 1 year under any circumstance. New consulting and other work should only be accepted if accompanied by full funding for a year or more, or if PROA's business plan specifically targets this activity.

4. ORGANIZATION AND STAFF. Neither AID nor PROA have developed organizational goals for PROA. Consequently, PROA continues to have no explicit organizational objectives, has not formally embraced financial sustainability, and has no business plan. PROA has a complicated matrix organizational structure that makes explaining the organization to potential funders and others difficult. PROA's Board of Directors is composed of established professionals--many of whom are former employees or clients of PROA--rather business and government leaders influential in El Alto or national affairs. PROA staff at all levels are well-qualified educationally and professionally, but lack business experience.

- Recommendations: PROA should officially adopt financial sustainability as an organizational objective, develop a business plan, and hire a business person with a track record in NGO management to help direct the organization. PROA should replace the project/program matrix with four programs--employment, health, housing, and institutional and community development--for which it should adopt a cost-center accounting system. PROA should find senior executives influential in key public and private organizations to fill the two remaining positions on its Board of Directors and use its Board to open doors for support. PROA's management should be restructured to set coherent areas of responsibility and free up top management, who are currently spread thin. An illustration is given of an appropriate management structure (see section V).

5. REVENUE GAP FOR 1992-93, SUSTAINABILITY STRATEGIES FOR PROA AND RECOMMENDATIONS FOR AID

- Revenue Gap: PROA currently recovers less than 10% of its costs, but detailed budget projections undertaken with PROA staff indicate that PROA can expect to make substantial progress in cost recovery in 1992-93 (30% of costs in 1992 and 53% of costs in 1993). Nevertheless, PROA will have a budget deficit of \$364,000 and \$283,000 in these years.

- Strategies for PROA: PROA should develop and apply a business plan in order to redefine PROA's organizational objectives in terms of sustainability; identify high-priority projects; assess the market and clients of each high-priority project; determine the needs for expanding these projects; assemble these projects into an overall plan; and set overall cost recovery targets. This plan should be used to develop a series of proposals geared to international organizations and others, and reviewed periodically to assess progress towards its objectives. PROA must publicize that it can no longer depend on AID for financial support. Such publicity can help convince PROA's clients that they must pay for the organization's services. Finally, PROA should hire a well-qualified business manager to design and direct these efforts.

- Recommendations for AID: Should AID continue to fund PROA? After all, it could be argued that AID has indicated that general support funding may well end as of March 1992 and that PROA should find other funding sources as of this moment. Discontinuing AID support of PROA in March 1992 would be a serious mistake for AID that might well lead to the drastic reduction or end of PROA. Neither PROA nor AID has taken comprehensive efforts to prepare PROA for sustainability. Expecting PROA to make this difficult transition without substantial support is unrealistic. Giving PROA the chance to make the transition to financial self-sustainability has a number of important benefits for AID. Most fundamental, PROA has made important progress in defusing the socio-economic "time bomb" that El Alto represents. In addition to meeting AID's five strategic objectives, PROA enhances AID's standing with other donors and the community of El Alto. AID should take credit for this success, preserve its substantial investment in PROA (\$1.25 million through 1992), and give PROA the opportunity to maintain its effectiveness by providing the bridge funding necessary for PROA's transition to financial self-sustainability. Well-defined steps towards sustainability should be taken before ending AID general assistance to PROA. Specifically:

AID should fund substantial but declining portions of PROA's revenue gap over the next three years--perhaps 90% (\$327,600) of the 1992 budget gap, 75% (\$212,250) of 1993, and 60% of 1994 (see Section VI). These sums are considerably less than the \$415,000 per year that AID has averaged in general support to PROA from 1988-91. AID should require that PROA provide counterpart funding to cover the remainder of the gap. Possible sources include other international donors, cost recovery from project beneficiaries, and internal cost reductions. If presented with PROA's record and potential, other international donors would be likely to replace a large portion of AID's support of PROA with sufficient lead time--2-3 years.

As a condition for AID funding, PROA should develop a business plan that sets self-financing targets. AID should monitor PROA's progress in meeting these targets and reduce funding if PROA does not achieve established targets. Funding well-defined steps towards financial self-sustainability is by far the best approach to weaning PROA from large amounts of AID support. However, if sufficient funding is unavailable for this approach, another option is to fund various PROA projects that have high priority for AID, in areas such as health and trade and investment. AID funding of PROA's involvement in PROSALUD health centers and the industrial free trade zone in El Alto are examples of this approach.

Twenty to thirty percent of AID's funding of PROA should be channelled to activities that specifically assist the transition to financial self-sustainability: the salary of a business manager; presentation of PROA's experience at international conferences, so that other donors are exposed to PROA; and technical assistance to PROA such as short-term business consulting and travel/study visits of staff to successful projects in Bolivia and other countries in Latin America. AID should convey ownership of equipment currently on loan to PROA such as computers and furniture to PROA.

AID should promote PROA to other donors. A PROA end-of-project seminar should be held and used largely to investigate funding for PROA. AID should actively participate in the planning for and implementation of this conference. The partners of PROA and other international donors should be invited.

6. LESSONS LEARNED

- Joining support of PROA-like organizations to support of local government offers the best formula for promoting local development and democracy in Bolivia.

- PROA must implement as well as catalyze projects to recover costs from beneficiaries and sustain a viable organization.

- A number of PROA's most important projects including micro-enterprise credit and community outreach for health centers primarily benefit women and increase women's role in local development--an emphasis suitable for other projects.

- Innovative urban and local economic development projects take time. Funders should stay the course--usually for a minimum of 5-6 years--while both the organization and its projects develop. The organizations that operate these projects must set and constantly refine their focus on a small number of goals to stay on track. Coalition building around specific problems and non-partisanship in local politics are also important to success.

II. INTRODUCTION

PROA is a non-governmental organization involved in employment, housing, health, and urban development in El Alto, a poor municipality of 400,000 adjacent to Bolivia's capital, La Paz. El Alto's population is currently growing at over 9% per year--the highest growth rate of any municipality in South America. Poor rural migrants form the overwhelming majority of its population and are responsible for 90% of its annual increase. The municipality's growth has far outstripped the ability of local government to provide urban services. Hence, many consider El Alto a socio-economic "time bomb." AID sponsored the creation of PROA as a pilot project in 1988 to strengthen and assist local government in urban development. The pilot stage of PROA ends in March 1992. AID-Bolivia has funded this organization in the amount of \$1,250,000 since its establishment.

2.1 Objectives and Method of this Report

This report has three purposes. First, it serves as a management tool for PROA. PROA faces a difficult transition--from pilot project to established program. This transition raises a number of crucial organizational and strategic issues for PROA. Foremost is financial sustainability: to what extent can PROA recover costs from beneficiaries? Who are PROA's other clients--such as international donors, national and local government entities, and private sector organizations--and how can PROA market its services to these potential clients? To what extent and how can PROA continue to organize communities--an activity with little potential for cost recovery, but which has formed the base for its method and projects?

Second, the pilot project experience of PROA is examined. Based on the Scope of Work (Appendix 5), we evaluate PROA's progress toward achieving the project purpose (sections III and IV), the future of PROA (sections IV, V, and VI), and make recommendations (section VI). A key question is if and how AID should continue to fund PROA.

Third, we explore the lessons from PROA's experience (section VII), particularly for AID's role in promoting municipal development and local democracy in Bolivia. Partners in PROA's activities (banks, community groups, the local government of El Alto), informed observers, and past evaluations of PROA (Peterson/Ashe, Urban Institute, 1990; Evans, PADCO, 1990) agree that the organization has achieved success in many areas. But can organizations such as PROA effectively support municipal development and democracy in other areas of Bolivia?

PROA's activities meet all five of AID-Bolivia's strategic objectives. Most fundamental, PROA has helped strengthen local democracy by working with community groups and the local government of the fastest growing and one of the poorest urban municipalities in Bolivia. PROA is a stabilizing force in this explosive situation. PROA plays an important role in providing urban development services--particularly water and sewer connections--which help promote maternal and child health. PROA emphasizes economics, including promotion of micro-enterprise, as the basis for local development and promotes exports through its role in the creation of an

industrial free trade zone in El Alto. PROA's support of a broad range of local development activities contributes to retaining El Alto's poor residents, who might otherwise migrate to the Chapare and other coca-producing areas.

This evaluation's method consisted of interviews with PROA staff, interviews with organizational partners, visits to projects, and a two-and-a-half day strategic planning session with PROA's management--see Appendix I. The purpose of the strategic planning sessions was to involve PROA management directly in the analysis and redefinition of their organization. This joint effort proved valuable and productive.

2.2 Key Issues for the Transition from Pilot Project to Established Program: Sustainability, Extension, and Focus.

Financial sustainability is the key challenge facing PROA and the major theme of this report. Some background on PROA and appreciation of three inter-related issues--sustainability, focus on programs with the best potential for cost recovery, and expansion of these programs--is necessary to address this challenge.

PROA began in 1988 as an AID-sponsored project with the purpose of assisting and strengthening the municipality of El Alto in urban development. This pilot project was to last one year, but was extended two more years. AID provided 100% of PROA's funding. The possibility of cost recovery from beneficiaries of PROA's efforts and of funding from other international, national, or local organizations went unexamined. Both PROA and AID held vague ideas for PROA's organizational future. Some AID staff thought that PROA might strengthen local government to the point where the municipality would be able to pay for PROA's services rather than AID or, perhaps, absorb PROA. PROA staff neither adopted a formal organizational objective or made financial or organizational plans for PROA after the pilot project came to a close.

The primary role given to PROA was that of catalyst¹--that is the development of pilot projects. These pilot projects were to be spun off² to individuals and groups more capable or permanent than PROA.

Initially, PROA functioned largely as a catalyst, and developed pilot projects that it spun off to other organizations. A good example is the "tricyclo" garbage collection project (see Section 4.1). In the late 1980s, the municipality of El Alto collected garbage from only 7% of the population. Consequently, trash throughout much of El

¹ Three words are frequently used by AID and PROA and in this evaluation to describe PROA's organizational roles: "catalyst", "implementer", and "coordinator." As a catalyst, PROA has started and operated some projects, and then "spun them off" (i.e. given them) to other organizations and to individuals. As an implementer, PROA has come not only to operate projects during start-up but also on a continuing basis--this evolution is examined below and in section 7.2. As a coordinator, AID builds coalitions of organizations around specific issues (as discussed in section 3.2). The shift in PROA's emphasis from catalyst to implementer runs counter to some of the original expectations for the organization. PROA's role as a coordinator--that is, a coalition builder--is uncontroversial.

² Ibid.

Alto caused serious health problems. PROA designed a project to create micro-enterprises to collect all garbage (except industrial waste) with three-wheeled vehicles--"triciclos." PROA launched the first three triciclos with the participation of a Savings and Loan and negotiated a local tax credit for residents who paid for this service and for permission from city hall. With the financial feasibility of this model demonstrated, PROA gave these three triciclos to their operators. Fourteen other triciclo micro-enterprises have arisen in El Alto without PROA's help. Currently, these triciclo micro-enterprises cover approximately 55% of El Alto. The municipality of El Alto now no longer attempts to collect trash and saves US \$150,000 per year as a result. Other Bolivian municipalities, including La Paz, have contacted PROA and begun to copy the triciclo model, which promises to become an important means of urban garbage collection nationwide. The funding for the triciclo project, which consisted largely of PROA's staff time, came entirely from AID, and PROA has charged neither El Alto's triciclists nor other municipalities for its know-how or services. These pilot projects grew out of PROA's basic approach: organizing the community in conjunction with local neighborhood organizations and the development of comprehensive neighborhood plans.

PROA has developed a large number of projects in employment, health, housing, and urban development, some of which are well beyond the pilot stage. Generally, however, PROA has been unable to find other groups--either public or private--capable of implementing these projects. Many of these projects require considerable development. Few are near recuperating their costs. PROA has built up a highly competent staff to design and implement these projects and is deeply involved both as a catalyst and implementer in El Alto.

Thus, PROA's de facto role and manner of operation have changed--PROA catalyzes less and implements more. However, its organizational structure, method, and objectives have failed to keep pace. PROA largely lacks a plan for financial sustainability, has yet to clearly define its role, and has an organizational structure that inhibits effective decision-making, and makes explaining the organization to potential funders difficult.

PROA must re-define its objectives and strategies to move from pilot project to permanent organization. Sustainability, focus, and extension are necessary. Each takes on special meaning in the context of PROA's experience:

Sustainability. PROA has two principal options for financing its organization. First, PROA can seek funding from organizations interested in supporting its activities. Such organizations include international donors, national government entities, and local government. PROA has made good progress gaining the interest of international donors, in particular, in funding its operation (see section IV). Most notably, a US \$3.3 million urban development fund has been agreed upon with the government of Holland--\$1 million could be used largely to finance beneficiaries of many of PROA's programs to use its services. Final approval and disbursement of these monies is pending. Although USAID will continue to finance over 90% of PROA's general administrative costs through March 1992, substantial funding from other international donors is likely in the medium term--that is, in 2-3 years. El Alto is a priority of many donors,

and PROA is the most knowledgeable and competent organization working in this community.

In principle, the local government of El Alto (HAMEA) should be one of PROA's best organizational clients, as the project design had originally intended. An enlightened local government would be willing to finance such activities as the triciclo project, which saved HAMEA \$150,000 per year. HAMEA recovers only about one-tenth of potential tax revenues. If PROA were to work with local government to increase this yield, could not the municipality pay for PROA's services or integrate PROA into its community development activities? In practice, major obstacles obstruct local government funding of PROA as discussed in section 3.2.

Second, PROA can recover costs from beneficiaries of its programs. The credibility that PROA has gained with local people in El Alto and with many private and public organization permits steps towards cost recovery. However, PROA's potential for cost recovery from program beneficiaries depends on its role as catalyst or implementer. Again, the triciclo project illustrates this dilemma. With AID funding, PROA succeeded in catalyzing this project, which has resulted in the extension of trash collection from 7% to 55% of El Alto, employment of 100 people in triciclo micro-enterprises, a savings of \$150,000 per year for the municipality, and extension of this solution for trash collection to other municipalities in Bolivia. However, as catalyst, PROA has been unable to generate any funds for covering its operation.

The corollaries of sustainability are extension and focus of PROA's programs.

Extension. With some exceptions, PROA's projects require substantially greater scale to break even financially. Its micro-enterprise credit program is a good example (see section 4.1). This program provides market-rate financing for operating capital and equipment to informal sector micro-businesses in the areas of El Alto in which PROA works. These micro-entrepreneurs generally have no access to formal-sector financing, and borrow from money-lenders at very high rates.³ Banco Nacional de Bolivia provides the funds. PROA groups borrowers into solidarity groups of 3-5 micro-entrepreneurs--who are jointly responsible for each others' loans--qualifies them for the Banco Nacional de Bolivia loans, and trouble shoots any loan payment problems. PROA receives 5% of the principal amount of the loan for this service. PROA made 99 loans for a total of US \$108,622.00 in the first six months of this project, which allowed it to cover 10% of project costs. Given the five percent fee, PROA breaks even at an annual loan total of one million dollars.

The manager of Banco Nacional de Bolivia views this program as a means of entry into a substantial and lucrative market untapped by other financial institutions. However, he wants to test this pioneering program carefully and go slow in expanding the credit limit for the program, from \$100,000 to possibly \$200,000 for next year, and, subsequently, to much larger amounts. Demand for these loans far surpasses these limits, even in the limited area of El Alto in which PROA works. PROA is

³ Informal lenders often charge 50% per year, compared with institutional interest rates of 15-25%.

exploring working with other financial institutions to supplement the amount and improve the terms of the credit. However, PROA has yet to develop a plan for how to break even in micro-enterprise credit and take steps to implement this plan. For instance, if the entry of more banks into the micro-enterprise loan market reduces interest rates, PROA might negotiate a surcharge to the Bank's interest rate. Such a mechanism would reduce the loan volume that PROA must attain to break even and promote project expansion (see Section 4.2 for further discussion).

Extension of PROA's programs has policy and political implications as important as the financial ones. PROA has fully applied its community development methods and developed pilot projects in only one neighborhood, Villa Bolivar D. With a few exceptions such as triciclo garbage collection, the organization has extended the bulk of its projects only to five of the 187 neighborhoods of El Alto, with mixed success. These neighborhoods contain 20,500 people, about 5% of El Alto's population. PROA has plans to expand its geographic scope through establishing five community centers in these neighborhoods as bases for reaching other neighborhoods, and a training center for all of El Alto. Despite some progress in expansion, PROA has created a few relatively privileged neighborhood organizations and neighborhoods. Unsurprisingly, this situation has bred envy and political problems for PROA.

The solution to PROA's financial and political/policy problems lies in expansion. The most logical market is the remaining 182 neighborhoods of El Alto where PROA is well known but currently does little business. In some circumstances,⁴ La Paz and other nearby municipalities may offer opportunities. However, in order to expand, PROA must define its key organizational and policy objectives, discontinue unnecessary projects, and focus on those that meet these goals.

Focus. PROA currently has a complicated organizational structure (see section 5.1) with many projects (see section IV). Its accounting is not done on the basis of cost centers. Thus, project revenues can not be easily compared with costs, nor can projections be made. These complications inhibit informed decision-making that could lead to cost recovery and explanation of PROA to potential funders. PROA must simplify its organizational structure and choose key projects with potential for cost recovery and expand them, and eliminate some of its non revenue-generating activities.

The following four sections investigate PROA's method, projects, organization, budget, and sustainability strategies, and make recommendations for AID. The last section examines the lessons learned from PROA's experience.

⁴ For instance, AID is funding PROA to perform community outreach for health centers operated by PROSALUD in not just El Alto but also La Paz. If this partnership is successful, PROA might usefully accompany PROSALUD to other municipalities.

III. PROA'S METHOD

PROA uses two key approaches in developing projects: the stimulation of participation in specific neighborhoods and coalition building.⁵

Broadly speaking, "participation" includes organizing neighborhood people and community groups in order to analyze development needs and launch projects. "Coalition building" includes organizing a wide array of international, national government, non-governmental organizations, and local government organizations around specific projects. PROA staff is committed to participation, in particular, as a value as well as a method for developing projects. The following examines these approaches and evaluates their level of success.

3.1 Participation

The great bulk of the population of El Alto consists of Aymara and Quechua indigenous people recently arrived from the Highlands. In their Highland villages, the Aymara and Quechua typically form strong community groups, which essentially act as a local government. They have brought this form of social organization to El Alto. Consequently, El Alto is one of the most organized urban municipalities in Bolivia. All of El Alto's 187 neighborhoods ("villas") have a community group ("Junta vecinal"). These groups typically elect their leadership every two years. Residents of the community respect these groups and work with them.

PROA has built on this indigenous tradition in organizing El Alto neighborhoods and in developing projects. PROA's overall theme in working with these groups is to promote the self-help spirit of the Aymara and Quechua and to fight assistencialism ("asistencialismo"⁶). PROA's organizers often communicate in Aymara and Quechua. The community development process involves identifying leaders; discussion of what development means; combatting assistencialism; preparation of a neighborhood plan; formation of committees dedicated to employment, health, housing, and other needs; and implementing projects.

PROA has taken this process and development of projects furthest in a neighborhood with a population of 4,200 near the commercial center of El Alto, Villa Bolivar D. PROA initiated its activities in Bolivar D in September 1988 with a

⁵ PROA calls stimulating participation in specific areas in order to carry out projects "manejo por area." Coalition building ("coalicion"), strengthening local government ("fortalecimiento municipal"), and organizational development and training ("desarrollo organizacional y capacitacion") are methods used to build coalitions that can carry out specific projects and strengthen local groups. In PROA's current organizational structure, these methods are called "programs" and are on one axis of PROA's organizational matrix with its projects in health, education, and housing on the other. Section V examines this organizational structure and recommends changes.

⁶ "Asistencialismo" refers to the practice of giving hand-outs to people, rather than providing them the resources necessary to solve their own problems. Related terms are "clientelismo" (when the giver expects political support in return for such favors) and "paternalismo."

workshop on hunger and development. Five other workshops and 15 presentations followed that involved the local community group and the population. Committees were formed to address employment, health, and housing problems in November 1988, leading to development of a neighborhood plan, which PROA staff call by the Aymara term "Plan Yantana." PROA staff provided technical assistance in the development of this plan, which is based on considerable data on the neighborhood and identifies its major problems. PROA has helped design, finance, and implement a series of projects in Bolivar D based on this plan, including a health center, a neighborhood center, a clothing production center, greenhouses for production of vegetables, rabbit production, and connection of the great bulk of Bolivar D residences to trunk sewer lines. AID funds have contributed to all of these projects.

Gradually, PROA has sought to expand this model to other areas. PROA has begun work in four neighborhoods in the poorest area of El Alto, the north. These four neighborhoods (Villas Esperanza, Tupacatari, Ingenio, and Alta Lima 3o) along with Bolivar D contain 5% of the population of El Alto.

PROA's process has gone less smoothly in these four neighborhoods than Bolivar D. Most fundamental, these neighborhoods' poverty slows progress. For instance, PROA has had to begin with teaching people to read before progressing to other activities. Politics has also caused problems. A mayor of El Alto scuttled the plans of PROA to establish a neighborhood health center that would charge small sums for services and medicines by promising to provide them free. In addition, although PROA's method calls for moving out of neighborhoods where its process has achieved desired reforms, leaving Bolivar D has proved impossible. This neighborhood group and local residents continue to approach PROA for assistance and PROA has been unable to say "no" to these requests.

Recognizing the need for faster progress in expanding its geographic scope, PROA is now working to establish five "community centers" to serve larger areas of El Alto and a "training center" for El Alto as a whole. These community centers, which are located in the five neighborhoods in which PROA is active, are near planned health centers and a hospital and may coincide with the establishment of five district city halls by local government. Currently, PROA is using rented houses and neighborhood group headquarters in three of these five neighborhoods as community centers. PROA's managerial staff have joined their personal resources and bought a plot of land for the training center.

PROA's participatory approach has succeeded in some important respects and failed in others.

Successes:

- PROA's community work has given the organization great credibility both with local people in El Alto and with many private and public organizations involved in El Alto, including financial institutions, international agencies, NGOs, and local government. Typically, these organizations approach PROA as a partner for their initiatives in El Alto.

This credibility is a crucial asset and pre-requisite for progress in sustainability.

- PROA has contributed to organizing 5 out of 187 neighborhoods in El Alto and brought many projects to these 5 neighborhoods that generate significant benefits in employment, health, and housing.
- PROA's emphasis on participation has influenced politics in El Alto as a whole. All candidates for mayor in the December 1991 elections talk about participation and a bottom-up approach to municipal administration. This was not the case in past elections. Although this shift has occurred in many Bolivian cities, PROA has made an important contribution to this change in El Alto.

Problems:

- Most fundamental, PROA has yet to extend its community organization work and its projects to the great bulk of El Alto. PROA started in one neighborhood in 1988, had reached 3 neighborhoods by March 1990, and, currently, works in 5 of 187 El Alto neighborhoods (December 1991). PROA's new approach to expanding its geographic scope based on five community centers and a training center shows promise, but is embryonic and untested.
- By working mainly in 5 neighborhoods, PROA has created jealousy in other parts of El Alto and political problems for itself. For instance, the directors of the umbrella organization of community groups of El Alto--FEJUVE--note: "PROA has worked well with the neighborhood group of Bolivar D, but they haven't gotten to us and don't invite us to participate much." Although PROA enjoys a high level of credibility and support, such complaints are inevitable and a problem for PROA if the organization continues its slow progress in geographic expansion.
- PROA's present approach to stimulating participation and community organization costs a great deal, probably more than the organization can afford in the future. As Section 6.1 details, the activities related to participation and community development represent a high overhead for PROA's revenue-generating projects in employment, health, and housing--30-40% of total organizational costs in 1992 and 1993. A large investment in participation and organizing communities has been necessary for PROA to gain credibility. However, now that PROA has generated considerable support from local people and many organizations for its activities, the organization must re-evaluate the importance of this activity.

Recommendations:

- In the past, PROA has been community-development driven with projects emerging out of this main thrust. In the future, PROA must become more project-driven with community development services supporting projects in employment, health, and housing. PROA should continue to promote participation as an essential method in its work. But it must manage this approach better so that its cost does not sink the organization. The options are reduction of community development, finding international and other organizations willing to fund it, and--in the long-term--subsidization from PROA's revenue-generating projects. PROA must confront this issue soon and develop a strategy as part of the business plan recommended in section VI. By focussing on priority projects, PROA can also expand its geographic coverage of El Alto faster and, thus, strengthen its position within the community and decrease its political vulnerability. Thus, a chain of positive consequences starts with re-orienting PROA to focus on priority projects.

3.2 Coalition Building and Municipal Strengthening

Coalition Building. PROA grew out of a meeting in Lake Titicaca in July 1988 that brought together 35 organizations working in El Alto. AID sponsored this meeting at the request of the mayor of El Alto. From its start, PROA has acted as a coordinator of groups working in El Alto.

At first, PROA attempted to fulfill this role by organizing a grand coalition to address El Alto's problems. This "Club of Paris" approach failed to function. Instead, PROA has achieved remarkable success in organizing coalitions of groups around particular problems. These problems include micro-enterprise development, a free trade zone in El Alto, health, forestation, shelter upgrading, and infrastructure provision. PROA has involved over 50 public sector, private sector, and international groups in these coalitions.

PROA has developed a method of coalition building. PROA defines the problem, identifies institutions potentially interested in solving the problem, contacts and presents the problem to these institutions, reaches an accord specifying responsibilities of coalition members, develops a plan in conjunction with other coalition members, supervises implementation, and maintains constant contact with coalition members.

A number of organizational characteristics give PROA a comparative advantage in this process. These include: PROA's track record in community organization and developing projects in El Alto; its knowledge of El Alto and ability to define the problem; the high calibre of its staff; the contacts of its management in local, national, and international organizations; and the support of AID. Most fundamental, PROA management can communicate with the directors of many important organizations as respected equals. In contrast, the municipality of El Alto has less capacity in these areas.

PROA occupies a unique position in local development in El Alto because of its ability to orchestrate coalitions. The single best answer to the question, "What would happen if PROA disappears?" is that a large institutional gap would be left in El Alto.

This method of coalition building has proved extraordinarily successful and is a major lesson from PROA's experience. Before PROA, many NGOs, international donors, and local government diffused their efforts in El Alto. Now, PROA contributes to focussing the resources of many of these organizations. PROA has helped leveraged US \$38.4 million investment in El Alto from 1988-1991 through coalition building with the investment by USAID of US \$1.25 million over this period in PROA. PROA has played the principal role in attracting \$16.3 million of these funds, and a secondary role in attracting \$22 million. See Table 1 for an analysis.

Strengthening the municipality of El Alto is an important component and supplement to coalition building.

Strengthening Local Government. A major purpose of PROA has been to strengthen the municipality of El Alto to support urban development. PROA has engaged in a wide range of activities over the past three years to this end with frustrating results. At the beginning of PROA's efforts (1988-90), the municipality had virtually no technical capacity although the mayor was cooperative and developed a good working relationship with PROA. PROA lent a key staff member, Mabel Cruz, to the municipality, who became the municipality's head technical person. She succeeded in changing the administrative structure of the municipality and provided technical assistance in a wide range of activities. During this period, PROA trained municipal staff in its participatory and community development methods ("manejo por area"). PROA also instituted a system to simplify building permits to facilitate legalization of informal sector construction--approximately 85% of the total in El Alto. Finally, PROA attempted to introduce the idea of making decisions based on plans--rather than in response to requests and pressures--into local government.

The election of a new mayor in 1990 led to the dismantling of these efforts. The new mayor replaced the staff that PROA had trained in community development methods and in building-permit simplification with personnel of his own political party. Local government continues to make decisions largely on an ad hoc basis responding to pressures and requests, rather than follow a plan.

Thus, despite considerable effort, PROA has made few advances in strengthening El Alto's government. This slow progress derives from both general conditions that characterize Bolivian municipalities and special circumstances in El Alto:

Local governments in Bolivia are weak by Latin American standards. Little tradition of cost recovery exists. Charging for water--the service most valued by local people for which cost recovery is easiest--is illustrative. Only three Bolivian

municipalities cover their water costs⁷. Even given the will to recover costs, the poverty of Bolivia⁸ limits the possibilities for cost recovery from beneficiaries. Bolivia's current constitution provides for two-year terms for local officials and for election of slates of candidates run by political parties, who then elect a mayor. Two years is too short a time to design and implement a major infrastructure project. This short term also results in frequent turn-over of staff, as El Alto's experience demonstrates.

⁷ Sucre, Oruro, and Santa Cruz.

⁸ Haiti and Bolivia are the poorest countries in the Americas.

TABLE 1**INVESTMENTS IN EL ALTO LEVERAGED BY PROA**

<u>Entity</u>	<u>Amount Financed/ Status</u>	<u>Role of PROA</u>	<u>Amount (US)</u>
Public Sector:			
Fondo Social de Emergencia	Water, sewers, health centers/executed	Primary	1,268,000
Fondo Nacional de Desarrollo Regional	Rotating fund for aqueducts solid waste, muni strengthening etc./executed	Secondary	3,000,000
Empresa Francesa para la construccion del sistema de distrib.	Study & construction of a household & industrial gas network/in process	Secondary	5,000,000
Banco del Estado	Finance of micro-enterprise/executed	Primary	100,000
Private Sector:			
Fundacion P. Alternativas P el Desarrollo	Rabbit and cloth production Projects/executed	Primary	13,000
Of. de Assist. Social de la Iglesia Advent	Construction of pavement, streets, & plazas/executed	Primary	800,000
As. de la Pequena Ind.& Art. de La Paz	Construction of a metal-mechanical training center/ executed	Primary	50,000
PRODEM	Support to micro-enterprise/ executed	Secondary	256,000
Banco Nacional	Donation of furniture to equip community centers/ executed	Primary	40,000

TABLE 1 (Continued)**INVESTMENTS IN EL ALTO LEVERAGED BY PROA**

<u>Entity</u>	<u>Amount Financed/ Status</u>	<u>Role of PROA</u>	<u>Amount (US)</u>
Donors:			
USAID	Pilot project for primary care/executed	Primary	225,000
Housing Investment Guarantee	Construction of low-income housing/executed	Primary	1,500,000
Fondo de Capitalizacion de Areas Secund.	Finance of a public co. to export furniture/executed	Primary	230,000
Japanese Assistance	Underground water system & maintenance/executed	Secondary	13,000,000
UNDP	Municipal strengthening, El Alto plan, & cadasters/executed	Primary	950,000
GTZ	Pre-investment in channeling Rioseco, solid wastes sanitary landfill	Secondary	820,000
Institute for Housing Studies--Holland	Finance of urban development projects/ approved, not executed	Primary	3,300,000
ICI--Spanish Assistance	Construction of Barrio Madrid--134 houses for artesans & training center/ under construction	Primary	1,000,000
DIFAD	Industrial free trade zone/ in execution	Primary	850,000
General Invest & Trading	Industrial free trade zone	Primary	3,000,000

TABLE 1 (Continued)

INVESTMENTS IN EL ALTO LEVERAGED BY PROA

<u>Entity</u>	<u>Amount Financed/ Status</u>	<u>Role of PROA</u>	<u>Amount (US)</u>
United Nations Capital Deve- lopment Fund	Finance of construction materials banks/approved; not executed	Primary	1,000,000
PROSALUD/ USAID	Health centers in El Alto and La Paz. Approved/ not executed	Primary	2,000,000
SUB-TOTAL--PROA PLAYED PRIMARY ROLE:			\$16,326,000
SUB-TOTAL--PROA PLAYED SECONDARY ROLE:			\$22,076,000
GRAND TOTAL ATTRACTED:			\$38,402,000

The election of party slates politicizes and personalizes local affairs. The entry of neighborhood group leaders into local politics offers an example of one aspect of this problem. In many Latin American countries, neighborhood group leaders are able to run directly for municipal council, where they influence local government's operations and reflect the interests of their roots. In Bolivia, however, community group leaders must transfer their allegiance to a political party before running for council; thus, they are of little use to the neighborhood groups, which are blocked from having influence on local government commensurate with their role in the community.

Second, local election campaigns typically feature debates between the political parties' nominees for mayor. But the positions of the candidates for council, who are directly elected, remain virtually unknown.

Third, given the existence of 4-5 major parties in Bolivian politics, the indirect election of the mayor-- which requires a majority of council votes--means that the party that gets the greatest popular vote may not be able to elect its nominee to mayor; other parties frequently join together to form a majority of council votes and elect a different candidate. Such deals alienate much of the electorate, who feel their vote gets "manipulated." Not surprisingly, many local people withdraw from participating in local politics and government given these systemic problems.

The technical and administrative capacity of local government staff is also low. No municipal career ladder exists. Central government ministries set rules for local government, control local tax rates, and have taken over some functions that are locally

provided in many countries. International agencies and national government often by-pass Bolivian municipalities by setting up implementing units outside city hall to conduct local development. Alternatively, international agencies and others complement municipal salaries ("sobresueldos") to attract qualified people to local government in order to operate their programs. However, these extra payments often result in envy, scandal, and politicking. The Municipal Reform Act of 1985 has contributed to strengthening municipalities by reinstating election of local officials while the Tributary Reform of 1986 has increased the revenues of departmental capitals and larger municipalities. But a great deal remains to be done, particularly in the area of electoral reform.

El Alto local government suffers from many of these generic problems, but also faces some special difficulties. The municipality of El Alto was founded only in 1985, so it lacks experience and a track record. The population of El Alto is poor and uneducated, so the pool of qualified leaders for local government positions is small. Largely because of its size--400,000--El Alto promises to play a considerable role in the election of Bolivia's president in 1994. Consequently, many political parties have targeted El Alto and local affairs are becoming increasingly politicized. Property tax collection in El Alto reaches only about 8% of expected amounts. A new cadaster being developed with UNDP assistance at the cost of \$1.5 million may increase revenues significantly. However, even with this improvement, the Bolivian revenue-sharing system is biased towards commercial and industrial centers, and discriminates against bedroom communities such as El Alto.⁹ The municipality of La Paz receives an average of US \$17.00 per capita in revenue sharing per year, while the municipality of El Alto receives about \$1.20.

PROA's slow progress in strengthening El Alto's government has led the organization to redefine its role in support of "municipal development" to include organizations beyond the municipality, such as NGOs and community groups. In contrast to its initial approach that focussed on strengthening local government directly, PROA works mainly with the grassroots to reform the municipality from the bottom.

The weakness and lack of initiative of HAMEA also blocks PROA from selling its services to the municipality. The paltry tax revenue of the municipality of El Alto barely covers the cost of the local government's 900 employees, let alone consultants. Consequently, HAMEA has been willing to accept PROA's help, but unwilling to pay for it with their own money even when such an investment makes good sense--as in the case of the triciclo garbage collection project, which saves HAMEA \$150,000 per year.¹⁰

⁹ In contrast to many Latin American countries, no compensatory system exists in Bolivia to redirect a portion of central government transfers to smaller provincial municipalities outside departmental capitals in order to encourage decentralized development; 92% of revenue sharing to local governments goes to the nine departmental capitals.

¹⁰ The private sector has also been unwilling to pay for PROA's technical expertise in triciclo garbage collection and in other activities. The fourteen small garbage collection enterprises that have arisen in imitation of the three triciclo's of PROA operate on a very thin margin, with little capital. Consequently, PROA management indicates that these micro-entrepreneurs are willing to accept technical assistance but unwilling to pay for it. For instance, a PROA staff member serves as the president of an association that these micro garbage collection have formed, but for free. To some extent, the market for PROA's

However, PROA might well be able to market its services to local governments if financing were available specifically for this purpose. This possibility is explored further in Section 6.2.

PROA's coalition-building and efforts to strengthen local government have also resulted in notable successes and failures.

Successes:

- PROA has achieved extraordinary results in leveraging investment in El Alto through coalition building. The organization has helped attract US \$38.4 million with an investment by USAID in PROA of \$1.25 million from 1988 to March 1992. It played a primary role in attracting \$16.3 million of this total. This approach may well be useful in other AID projects--see Section 7.3.
- PROA has maintained good relations with local government in a highly politicized environment. The accomplishments of PROA could well have generated considerable envy on the part of local officials. Instead, El Alto's local government actively supports and welcomes PROA's involvement in municipal affairs. The acting mayor of El Alto notes: "The municipality does not have the financial and technical capacity necessary to carry out many projects. We support PROA, appreciate their assistance, and would like them to increase their role. Without PROA, we would not be able to carry out many projects."

Problems:

- Despite considerable effort, PROA has made frustratingly slow progress in strengthening El Alto's local government. Both the general weakness of Bolivian municipalities--which the municipality of El Alto shares--and special circumstances have blocked PROA from advancing towards this goal. Consequently, PROA now emphasizes a bottom-up approach to local development that avoids relying on local government.
- PROA has neglected to generate revenue from its role as coordinator of coalitions. Often, the organization has invested administrative time and its own capital, with no return.

services is limited by the low revenue of local government and low incomes in the private sector. However, the well-known status of PROA as an NGO funded by AID is also a psychological barrier. People recognize that they must pay private sector entities, but expect free services from government and philanthropic entities, which PROA currently seems to be. Section VI investigates how to overcome this psychological barrier.

Recommendations:

- PROA must set revenue goals for its role as a coalition coordinator. Directly charging a fee for services is difficult, because many actors in local development have few funds or are unaccustomed to paying. However, PROA might well be able to market its services to some organizations, such as local governments, if financing were available specifically for this purpose. PROA should propose to international donors to establish urban development loan funds, as discussed in section 6.2.
- The possibilities for strengthening local government depend significantly on the mayor. Rather than adopting either a "top-down" or "bottom-up" approach, PROA would do well to use both, working more intensely with local government when a collaborative mayor is in office and focussing on the grassroots otherwise.

IV. PROA'S OBJECTIVES, PROJECTS, AND RECORD OF COST RECOVERY AND REVENUE DIVERSIFICATION

4.1 PROA's Objectives

PROA's five initial objectives were imprecise, reflecting the pilot nature of the organization and the general expectations of both AID and PROA staff. They were to improve living conditions; strengthen the institutions--particularly local government--that work in El Alto; improve employment opportunities; improve housing conditions; and form a coalition to address health issues. Initially, PROA had no explicit or implicit objectives for the development of the organization.

With time, PROA refined these initial objectives, making them more specific. By the end of the pilot project, these goals had become the following: expand the housing upgrade credit and sewer connection programs; support micro-enterprise with credit; create a pilot health clinic project suitable for expansion in El Alto and promote basic services related to health--particularly water and sewer provision; and move from study to action, and from catalyst to implementer.

PROA still lacks an explicit organizational objective. However, as PROA has grown and matured, ideas of moving towards cost recovery and financial sustainability have emerged. The study of PROA performed by Peterson/Ashe (Urban Institute, 1990) first suggested that cost recovery and financial sustainability should be applied to PROA. The development of PROA and the impending end of the pilot project has lead PROA staff to establish a new legal non-profit organization as a sequel to PROA, called the Center for Integrated Urban Services (Centro de Servicios Integrados Para el Desarrollo Urbano). However, the organization continues unofficially to be called "PROA." The goals and methods of this new organization have yet to be defined.

The imprecision of and flux in PROA's goals make a precise evaluation of PROA record impractical. However, as the following Section (4.2) details, PROA has made considerable advances in a broad range of activities.

4.2 PROA's Projects

PROA's projects fall in four overall program categories: employment, housing, health, and innovations.

EMPLOYMENT:

■ **Micro-Enterprise Credit.** This project could unify PROA's activities in employment and expand to cost recovery. PROA formed a coalition to bring together institutions to provide market-rate credit to micro-enterprises in El Alto. During 1989, the Banco del Estado joined the coalition and provided loans to 71 micro-enterprises in 22 solidarity groups. In spite of this success, this bank suspended operations because of a new organizational policy, leaving PROA without credit resources to continue this program.

After contacting various lenders, PROA has involved the Banco Nacional de Bolivia (BNB), which established an initial credit limit of \$100,000 to test the concept. PROA organizes groups of 3-5 borrowers ("solidarity groups")--who are jointly responsible for repayment, packages loans, and trouble shoots any collection problems. Loan terms are 6 months to two years at 18% per year. Since May 1991 (in the last six months), PROA has packaged loans totalling \$108,622 to 99 micro-entrepreneurs in 44 solidarity groups. Repayment has been good, with only 5% of the total in arrears. BNB has transformed the initial credit limit of \$100,000 into a revolving loan fund, and intends to raise the amount of this fund substantially.

This project is well designed and implemented. PROA's track record in community development well suits the project's clients--mostly, small family businesses, many headed by women with low levels of formal education¹¹ and little experience in dealing with financial and other formal institutions. Micro-enterprises in El Alto have no other source of market-rate credit. Consequently, demand for credit is very high, far exceeding the amount of financing available. Most fundamental,¹² this project supports micro-entrepreneurs to do what they already understand; credit recipients are already in business, have considerable knowledge of the technical aspects of their business and market, and need funds to expand.

BNB is making money on this project. However, PROA is recovering only 10% of its administrative costs, which include the support of 2 loan promoters and part of that of a senior manager. PROA estimates that breaking even requires a loan volume of \$1 million.

¹¹ Illiteracy rates (in Spanish) are much higher for women in than for men in El Alto.

¹² From the perspective of other successful micro-enterprise programs in developing countries--see Ashe, 1990.

Thus, this project has been tested successfully. The bottleneck to project expansion is more credit. The BNB manager would like to go carefully in expanding this project, even though he sees it as a means of tapping a lucrative market almost entirely ignored by other financial institutions, while most traditional markets for credit in Bolivia are saturated.

Recommendation: PROA should pursue other sources of credit to supplement BNB, as it is currently doing. However, PROA should also negotiate higher remuneration for its services. Ample experience of micro-enterprise credit projects in other countries demonstrates that the availability and speed of credit are far more important to micro-entrepreneurs than the cost.¹³ PROA's efficiency in loan packaging and arranging for credit is worth far more to both BNB and the borrower than the 5% of the total loan amount that the organization currently charges. Ample room exists between the financial institution's rates¹⁴ and informal financing rates of 50% for PROA to add an interest surcharge of 4-5% that could greatly increase revenues from this project and substantially reduce the loan volume necessary to break even. Making both borrowers and financial institutions aware of the real value of PROA's services is essential to expanding this program. Also, PROA should make clear to all its clients that the organization no longer can depend on AID for the financial support necessary for its survival. The association of PROA with AID has lent PROA some prestige, but also associates PROA with government and philanthropies, whose services people expect free (see Section VI for further discussion of changing for the public image of PROA).

■ **Community Economic Projects.** Since its founding, PROA has started a series of community-based economic projects in hopes of increasing incomes and demonstrating PROA's responsiveness to community needs. These projects include knitting sweaters, small cloths manufacture, raising angora rabbits for wool, and vegetable greenhouses. These projects generally take applicants who know nothing about the activity, train them, and provide credit or other assistance. Over 400 people have received training in various projects; 12 families are working with angora rabbits, 24-30 families have vegetable greenhouses, and 100 of 200 knitters are doing some work at home. These projects grow directly out of PROA's community development activities in the 5 neighborhoods in which the organization is most active.

This project is problematic. These efforts require considerable resources and energy, require a long time to mature, and result in low to medium levels of success. Most have no potential for sustainability and require outside technical assistance that PROA must buy or borrow to have any prospect of getting established.

Recommendation: PROA should drop its role as organizer and executor of these community economic projects. If PROA sees good potential for development of such activities, the organization should locate an outside NGO or company specialized in this activity to develop and support it. PROA should focus on credit and other support to

¹³ Ibid.

¹⁴ Which are likely to be reduced to 14% per year

existing micro-entrepreneurs, rather than attempt to test new types of businesses and develop new business people.

■ **Industrial Free Trade Zone Project.** PROA has assisted in the planning and promotion of the first industrial free trade zone in Bolivia to be located in El Alto near La Paz's international airport. PROA has recently selected a local firm, GIT, to coordinate and develop this zone with the assistance of the international USAID contractor, Carana Corp. AID is in the process of donating an industrial shell to PROA to be rented to industries that will locate in the free trade zone. The rental amount is likely to be about \$100,000 per year.

This project represents a potential "cash cow" for PROA. However, PROA has no experience and, thus, no comparative advantage in large-scale industry and export promotion. Some possibility exists of integrating other PROA projects in the free trade zone.¹⁵

Recommendation: Unless more compelling reasons or opportunities appear, PROA should limit its involvement in the free trade zone to this industrial structure, but should do what it can to make it economically successful, including: stay on top of the AID/DIFAD negotiations to be sure that final plans for the transfer of the industrial structure to PROA are in the organization's interests; perhaps, organize a coalition of the occupants of the industrial zone; and prepare to rent the industrial shell intelligently.

HOUSING:

■ **House Upgrading Credit.** This effort is PROA's core project in housing. In 1989, PROA arranged with a Savings and Loan--Mutual La Paz--to lend money to informal sector households for upgrading. PROA sent 25 loan applicants to this financial institution, but only 1 received a loan because of processing delays, legal requirements for the loan, and the complexity of the loan process, and the project was abandoned.

Wiser about the barriers to informal sector housing lending, PROA made its second attempt in 1990 with the following modifications: reduction in legal and documentary requirements of the financial institution, improvement in documentation of the borrower, and organization of solidarity groups. USAID Housing Guarantee program funds were to be lent through Mutual La Paz. Twelve loans were processed, then the Central Bank cut off the flow of AID Housing Guarantee funds to the Savings and Loan and this second attempt failed.

The third attempt has been broadly successful. Mutual La Paz is lending its own funds at 18% per year over 2 years in loan amounts ranging from US \$25.00-500.00. An impressive innovation is the substitution of solidarity groups of 3-5 borrowers and a

¹⁵ Possibilities include micro-enterprise credit and Barrio Madrid. If the free trade zone is successful and PROA generates a large cash flow from this industrial structure, the organization might invest in another industrial structure in the free trade zone.

certification by the neighborhood head¹⁶ for a formal mortgage instrument. Originally, Mutual La Paz wanted each loan to consist of a series of small loans, each one to be paid back before the subsequent portion is disbursed ("prestamo en cascata"). However, the Savings and Loan has begun to accept one disbursement in some circumstances, which greatly facilitates these loans. PROA staff--consisting essentially of two promoters--assemble the solidarity groups, fill out the forms necessary for loan application, and, generally, mediate between Mutual La Paz and the borrowers. PROA has recently negotiated 7% of the total loan amount with Mutual La Paz as its fee for this service. In addition to the solidarity group guarantee, the head of the neighborhood group where the borrower is located must certify that the borrower is responsible. For the construction loans, materials in the amount of the loan are given to the borrower, rather than money.

The results of this program have been excellent. Starting in May 1991, 94 loans have been made to 25 solidarity groups, totalling US\$31,167.00; 23 more loans are currently pending, totalling an additional \$19,455.00. Mutual La Paz reports no delays in repayment on any loans. The loan breakdown of the 94 loans already made is as follows: 67 to legalize documentation of the borrower's land title; 17 to install water, sewers, and electricity; 8 to improve or amplify the structure, and 2 for purchase of a lot.

Mutual La Paz, however, has temporarily suspended disbursements to evaluate the project. PROA is negotiating with another Savings and Loan--Mutual La Primera--to obtain another source of credit on substantially better terms--12% per year, over 5 years, with a \$50,000.00 line of credit.

The plot legalization process with local government is another bottleneck. Simplifying this process, which has been a goal of PROA, would add greatly to demand for these housing loans. PROA has reached various accords with El Alto's local government to simplify this process, which have broken down once the municipal administration in question leaves office.¹⁷

Recommendation: This project has been tested and is ready for expansion. Again, the bottleneck is credit.¹⁸ In the medium-term, credit from central government sources may become available. Meanwhile, PROA should negotiate--as it is doing--with other financial institutions, both for more credit and more remuneration for its services, including an interest-rate surcharge. PROA must habituate both financial institutions and borrowers to charging for the real cost of its services. Financial institutions understand that they must make money to survive and that so must PROA, which is performing the great bulk of the work so that they profit. Convincing borrowers that such charges are just is also a

¹⁶ That borrowers are responsible.

¹⁷ At one point, 42 legalizations were processed quickly. The current local administration, however, has not accepted PROA's latest proposal, so the organization is waiting for the new government to take office.

¹⁸ The plot legalization process is a more minor problem, but the planned participation of PROA in developing cadastres for El Alto in conjunction with the United Nations should help resolve it definitively.

challenge. But, as PROA gains greater independence from USAID, local people may be more willing to accept these fees as the necessary price of PROA's services.

■ **Construction Materials Bank.** PROA undertook this project to improve the quality, quantity, and price of building materials available in El Alto in April 1990. Unlike most PROA projects, the construction materials bank was initially designed to cover its cost medium-term. Currently, this project is covering about 30% of its costs, and would reach full sustainability at three times its current volume.

The United Nations Capital Development Fund has approved a project that would greatly expand the construction materials bank by providing \$750,000 for credit to micro-enterprises to produce construction materials and \$296,000 to ten construction materials banks in El Alto to buy these materials. Based on its track record in establishing the first El Alto construction materials bank, PROA hopes to convince UNCDF that PROA should operate these 10 construction materials banks.

Recommendation: Although this project does not directly address the social objectives that have most concerned PROA, it is straightforward, functioning, and has excellent prospects for expansion and financial sustainability. If taken to scale, the construction materials bank project could generate revenues for other projects. PROA should pursue this effort vigorously and give the construction materials bank higher priority than its relatively low social content would merit as long as financial sustainability is a critical issue.

■ **Barrio Madrid.** This effort, which is financed by Spanish Assistance (ICI), started as a 134 unit housing project for artesans in El Alto. Influenced by PROA, Spanish Assistance has changed the design to include a center to train these artesans and international marketing of their products. Thus, the 134 artesans are intended both to live and work in this "artesanal village", which, it is hoped, will become a tourist attraction. PROA's main role has been the selection of the artesans, which has been largely completed. The 134 units are currently under construction and Spanish Assistance is debating how to proceed with the production component of the project.

Recommendation: The success of Barrio Madrid depends on a wide range of factors: housing, technical assistance, training, and export promotion. Although this comprehensiveness makes the project appealing, it also makes Barrio Madrid complicated and problematic. For this project to work, PROA would have to invest a large amount of credibility with little control over the final results. We recommend that PROA drop this project after it has finished selecting the artesans.

HEALTH:

■ **Community Outreach for the Health Centers of PROSALUD.** This project forms the core of PROA's activities in health. From the start, PROA considered health services a key need of Villa Bolivar D. After performing a market study of need, PROA established a health clinic in this neighborhood in September 1989. The intent was to charge small sums for medical services, to avoid assistencialism and to treat patients well, rather than as charity cases. In contrast to the limited hours of many municipal health facilities, this center functioned 24 hours a day. It began by providing nursing, birthing,

dental, and pharmacological services. By April 1991, a laboratory, a wider range of medicines, a pharmacist, and a doctor had been added. Use of the center by local people has expanded rapidly. Within one year, the health clinic has attained an average 45% cost recovery. PROA has worked closely with the committee of health of the neighborhood group of Bolivar D to make residents aware of these medical services and the need for them.

However, a number of problems also surfaced. The health center lacked efficient inventory control and had no statistical system for evaluating patients or the work load. Although the PROA-operated health center in Villa Bolivar D had been broadly successful, AID decided to expand this effort by giving responsibility for medical services to an organization that has established 15 health centers in Santa Cruz--PROSALUD--and retain PROA for promotion of these centers in the community. AID has agreed to fund the establishment of 20 health centers in El Alto and La Paz over the next five years; \$372,000.00 is to support PROA's promotion of the services of these centers in neighborhoods.

Recommendation: AID funding covers PROA's costs for the next five years. During this time, PROA should develop its expertise in promoting community health services and responsiveness to its main client--PROSALUD--so that this expertise will be marketable once AID funding ceases.

■ **Forestation.** This project is one of PROA's most successful coalition efforts. Although various attempts have been made to plant trees in El Alto over many years, none have succeeded because of the challenging climate--the area is over 15,000 feet in altitude--and lack of community support.¹⁹ In 1989, PROA created a coalition of groups interested in the problem and developed a 5-year plan, which was adopted by the municipality. Funding has been approved in the amount of \$700,000 from the Government of Belgium and \$30,000.00 from USAID for this project. Under the direction of the municipality of El Alto, a forestation fund has been created to be capitalized by "voluntary" contributions of \$2.00 from all El Alto households and \$30.00 from all businesses. Although "voluntary", the receipt for payment of this contribution is necessary to process a number of permits with local government. The local electric company also includes this charge in customers' bills. Consequently, funding for PROA's lead role in this effort is guaranteed.

Twenty-five thousand trees have been planted on an experimental basis, although 30% have died largely because of community neglect. PROA has initiated a corp of "forest guards" composed of neighborhood youth and is promoting consciousness of the importance of this effort through bumper stickers and a "green festival." PROA intends to plant 40,000 trees in 19 neighborhoods, and then expand the project as funding and progress in overcoming the technical barriers of an inhospitable climate permits.

Recommendation: This project is a model of creative self-financing, could become an important source of revenue for PROA, and should be pursued as a high priority.

¹⁹ The benefit that trees would have in improving the climate of El Alto has long been appreciated.

■ **Sewer Connections.** SAMAPA--the water and sanitation company of El Alto and La Paz--has installed trunk sewer lines in most of El Alto, but has not connected these trunk lines to houses. Connection requires documentation of a legalized parcel, plans, and payment. PROA has organized a project to make these connections to households at low cost--about \$115.00 per connection. Among the cost saving features of the PROA scheme is a technological innovation--use of a valve to connect neighboring households to the sewer at the same time, rather than running completely separate connecting lines; this innovation is being copied by other localities and is likely to become standard in Bolivia. About 150 connections have been completed. PROA estimates that this project would break even at 2,000 connections per year. El Alto has 10,000-15,000 households still unconnected, so a sizeable market exists.

Recommendation: SAMAPA has informed us that this company is close to acquiring a large sum that could finance these connections and, perhaps, largely eliminate the market for PROA. PROA should define its relation to SAMAPA and their respective roles. If PROA is unable to negotiate a sufficient share of the market to allow this project to cover its costs, the organization should discontinue this project.

■ **Solid Waste--the "Triciclo Project."** The effort began as a pilot project in October 1989. At the time, the municipality of El Alto was collecting only 7% of the trash in the city. With technical assistance from GTZ, PROA created a micro-enterprise to collect trash with "triciclos"--three wheeled vehicles operated by a team of two neighborhood people. The first 3 triciclos collected the trash in Villa Bolivar D. PROA paid the salaries of the triciclists while a Savings and Loan--Mutual La Paz--donated the vehicles. PROA also negotiated a tax credit with the municipality--so that local people objected that they had paid for garbage collection with their local taxes were willing to pay the triciclists--and resisted an effort by local government to charge the triciclists a fee for the right to collect garbage, which would have made this enterprise uneconomic. These micro-businesses have proved self-supporting. Fourteen have arisen without PROA's assistance. Altogether, these garbage collection enterprises employ a 100 people, collect 55% of El Alto's trash and save the municipality (which has abandoned attempts at trash collection) \$150,000.00 per year. A small factory that makes triciclos has also started in El Alto. PROA is no longer involved in promoting and operating triciclos in El Alto. Based on El Alto's experience, other Bolivian municipalities are beginning to adopt triciclos.

Recommendation: PROA has completed this project successfully in El Alto. As discussed, this experience presents a dilemma: PROA's role as a catalyst saves the municipality \$150,000 per year, provides 100 jobs, and provides other Bolivian municipalities a model to copy. However, it has generated no funds for PROA. If urban development financing were available (see section 6.2), PROA could attempt to market its expertise in establishing triciclo systems to other local governments.

INNOVATIONS:

The following first describes all the remaining projects of PROA--termed "innovations"--and then presents recommendations.

- The Institute for Housing Studies--Holland. In December 1990, the government of Holland approved \$3.3 million in assistance, \$1 million of which is to be channelled into an urban development fund, FONDESU, which could be used to finance the beneficiaries of many of PROA's projects. The government of Bolivia approved this project in July 1991; final approval and disbursement of the funds into FONDESU is expected around May 1992.
- ASOBUR. ASOBUR is a coalition of organizations formed in 1988 to increase the role of the private sector in urban development. PROA helped found this organization and continues as the organization's secretary. CACEN--a central authority of Bolivia's Savings and Loans--acts as president and INIDEM--an organization that supports municipalities--is vice-president. The organization manages FONDESU, serves as a high-level forum for discussion of urban development issues, and plans to establish an information network. USAID provides about 80% of ASOBUR's annual budget. PROA contributes the second largest portion, about 15%.
- Puerto Suarez. CORDECRUZ--the regional development authority of the southeast of Bolivia--asked PROA to participate in the development of an urban development plan for this economically promising area. PROA designed a project, hired a team of consultants, and developed the plan. PROA financed half of the cost (US\$120,000) with USAID funds, while CORDECRUZ contributed the remainder. The project is now entering the implementation phase--with PROA expected to raise \$70,000 to match funding by CORDECRUZ of \$70,000.
- IREC. This Swiss government project researches and promotes a national housing policy for Bolivia. PROA contributes resources to support the involvement of a former senior manager of PROA in this effort.

Recommendations: The Dutch contribution of \$1 million to an urban development fund is potentially crucial to PROA's future. Credit is the bottleneck of important PROA projects in employment and housing that have been tested and are positioned for expansion. This fund would contribute to removing the bottleneck, allow PROA to greatly expand these projects, and, thus, substantially increase PROA's cost recovery. PROA should focus on getting final approval of this fund and gear up to use it quickly. Once PROA's capacity for expansion is demonstrated, PROA will be in an excellent position to ask donors to provide more loan finance. ASOBUR is important mainly because of its relation to this fund--FONDESU--which it manages.

The other two projects--Puerto Suarez and IREC--are high prestige consulting assignments, but cost PROA money. The idea that PROA should contribute to funding the implementation of the Puerto Suarez plan--which it had already helped finance for CORDECRUZ--strikes us as particularly inappropriate. PROA should drop these projects and similar unpaid consulting assignments unless on-going funding sufficient to cover

PROA's cost can be arranged soon.²⁰ Even if initial funding is available, PROA should refuse to enter into consulting assignments with funding commitments of less than one year unless PROA's business plan (see Section VI) targets this activity for development. Otherwise, PROA risks investing organizational resources in a market that is likely to disappear.

4.3 PROA's Record of Cost Recovery and Revenue Diversification

Given AID's support of its administrative costs, PROA has paid more attention to stimulating participation, coalition building, and developing pilot projects than cost recovery from beneficiaries or revenue diversification. Nonetheless, PROA has made progress in both these areas. The range of PROA's activities and its credibility with private, public, and international organizations offer promising opportunities for cost recovery and revenue diversification in the medium-term--2 years--if PROA focuses on these objectives.

This section focuses on the cost recovery and expansion possibilities of PROA's current projects and draws some implications for PROA's organizational sustainability.

Table 2 lists PROA's current projects, the degree of cost recovery from beneficiaries, and the possibility for expansion of these projects.

As Table 2 details, PROA has launched many pilot projects based on its community development and coalition building methods. However, with some exceptions, PROA's projects require substantially greater scale to meet needs and to break even financially.

From the point of view of sustainability,²¹ PROA has become involved in four types of projects, with varying degrees of potential for cost recovery and expansion. The following explores these categories and makes recommendations. Ultimately, PROA must balance these recommendations based on financial sustainability criteria with its social objectives. However, we recommend that, for a time, PROA place financial sustainability first as a criterion for its programs and projects, rather than near last.

²⁰ See the recommendation of Section 4.3 for projects with "low potential for cost recovery"

²¹ Sustainability is not the only objective of PROA as an organization. PROA's overall objective has been to improve living conditions in El Alto. In the long term, PROA must balance sustainability with this eminently social objective. Only PROA can balance its social and financial objectives skillfully. However, PROA faces a daunting short-term challenge--how to achieve greater self-sufficiency during the phasing out of general administrative support by AID. The availability of AID support has allowed PROA to use social criteria for choosing projects. In contrast, financial sustainability becomes a key criterion for analyzing PROA's projects during the transition from pilot project to established organization.

TABLE 2**COST RECOVERY AND EXPANSION POSSIBILITIES OF PROA PROJECTS**

Program/Project	1991 Cost Recovery From Beneficiaries	Possibilities for Expansion in 1992 & 1993
Employment:		
-Credit to Established Micro-Enterprise	10%, with current loan vol. of \$100k, need \$1 m. vol. to break even.	Medium for 1992; high for 1993; very high demand, but bank credit is a bottleneck in short-term.
-Micro-Enterprise Demonstration Projects Credit & Training	0%	High; many possible pilot projects are needed, but have low cost recovery potential.
-Rental of Industrial Structure in Free Trade Zone	N.A. for 1991; High when FTZ functions; PROA can rent structure for \$100k/year with low costs.	Low; PROA could possibly buy another industrial structure with the cash flow from the first.
Housing:		
-House Upgrading Credit	Under 5% w current loan vol. of \$40k. per year. Need vol of \$1.3m./year to break even.	High; medium demand from PROA's current 5 neighborhoods, but geographic expansion & progress w simplifying permit procedures would provide adequate market.
-Simplified Building Permit & Water Connection Procedures	Low, under 7% with current charge of \$8/ permit and low volume.	High, but must charge more for these services and work out problems w municipality to expand vol to break even.
-Sewer Connections	Under 10% w current vol. of 130 in 6 mos.; need 2,000/year to break even.	High; if agreement with SAMAPA reaches potential market of 15k connections in El Alto.

TABLE 2 (Continued)

COST RECOVERY AND EXPANSION POSSIBILITIES OF PROA PROJECTS		
Program/Project	1991 Cost Recovery From Beneficiaries	Possibilities for Expansion in 1992 & 1993
-Construction Materials Bank	40% currently; 100% with expansion.	High; UNDCF support of \$1 m. promises to finance 10 material banks, which PROA hopes to operate.
-Barrio Madrid (Housing/Training/Credit support for 130 artisans)	0%	Low; project is complex, unlikely to work as designed
Health:		
-Primary Health Care Promotion for PROSALUD Health Centers	45% under pilot stage ended 1991; 100% under AID-funded contract w PROSALUD for \$372k over 5 years.	High: high demand; funding and contract for expansion from 1 to 20 health centers in El Alto & La Paz in place. Good future market.
-Forestation	0% so far; 100% by 1993 because of \$2 charge of all El Alto households & \$30 for businesses collected via electric bills.	High; El Alto needs tens of thousands of trees; coalition is in place to carry out project; a problem: research & community support necessary to keep trees alive.
-Triciclo Garbage Collection	0%	Low; project successfully completed in El Alto; low possibility for PROA selling its services to other cities, unless financing becomes available.

TABLE 2 (Continued)

COST RECOVERY AND EXPANSION POSSIBILITIES OF PROA PROJECTS		
Program/Project	1991 Cost Recovery From Beneficiaries	Possibilities for Expansion in 1992 & 1993
Other Projects:		
-Institute for Housing Studies, Holland; Urban Development Fund (FONDESU)	Would greatly contribute to sustainability of PROA's projects needing financing.	High; agreement reached on a \$3.3 m loan fund for financing urban development in El Alto; \$1 m. for financing beneficiaries of PROA projects.
-IREC; Swiss research on nat'l housing policy	0%; PROA funds 50% of this project.	Low; project to finish in 1992. Findings of research may open mart.
-ASOBUR; private sector assoc. for urban policy reform	0%; PROA finances much of ASOBUR	High; but funding is necessary for PROA.
-United Nations Development Capital Fund	High; would provide \$1 m financing for 10 materials banks which PROA hopes to operate & for construction materials producers.	High. Materials banks have high potential for cost recovery & UNDCF funding would finance expansion.
-CORDECRUZ; urban development plan for Puerto Suarez	Low; PROA supports 50% of project.	Medium. CORDECRUZ interested in PROA participation in implementation and further studies, but no funding seems available.

4.4 Priority for PROA Projects Based on Financial Sustainability Criteria

PROA's projects fall into four categories from the perspective of financial sustainability.

i. High potential for both cost recovery and expansion. Most immediately, the contract with PROSALUD to promote their health centers provides \$372,000 over five years to support PROA's services. The construction materials bank currently recovers about 40% of its cost and has excellent possibilities for expansion; the United Nations Capital Development Fund would provide \$1 million in financing for 10 such materials banks, which PROA hopes to operate. The forestation project is virtually assured cost recovery because of the \$2 charge to El Alto households and the \$30 charge to businesses that will be collected through electric bills.

Recommendation: PROA should focus more of its staff time on these projects, if necessary, and phase out low potential projects.

One project, the industrial park of the free trade zone, has high potential for cost recovery but low potential for expansion. If the free trade zone functions, PROA will be able to rent out this structure to industries at \$100,000 per year with low costs. Further investment in the free trade zone may be counter-productive, but holding on to this "cash cow" is important.

ii. Medium to high potential for cost recovery and expansion in 2-3 years, but small scale and low cost-recovery currently. A number of projects with medium to high potential for cost recovery are emerging from the pilot stage, but are still at low levels of cost recovery because of small scale. These include: the micro-enterprise credit, house upgrading credit, and sewer connection programs. All have a potentially large market.

Recommendation: These projects represent the markets of the future. However, money (particularly loan finance) and energy must be invested to expand them to the break even point. If the barriers to expansion of one or more of these projects can not be overcome in two years, PROA should drop the project.

iii. Pending donor-sponsored investment funds. These projects result from PROA's contacts with international donors other than AID, which began largely with PROA's presentation at the international conference on shelter held in Washington, D.C. in 1990. They include the International Housing Studies (Holland) urban development fund of \$3.3 million (to be placed in FONDESU)--\$1 million of which could finance PROA's program beneficiaries--and the United Nations Capital Development Fund for construction materials banks. These investment funds are key to expanding the projects in ii. above.

Recommendation: PROA should aggressively pursue these and other donors for investment finance and support of operating costs, continue to make presentations at international conferences, and seek the assistance of AID in influencing such donors and funding for presentations at international conferences.

iv. Low potential for cost recovery, no matter what the scale. These projects include community/family demonstration project credit and training and a number of consulting activities that PROA is involved in: IREC research on a national housing policy, ASOBUR promotion of private sector involvement in urban development, and CORDECRUZ urban planning and implementation project in Puerto Suarez.

Recommendation: ASOBUR may be important to maintain PROA's control over FONDESU and the \$1 m. Dutch contribution to this fund. PROA should drop the community/family demonstration project, IREC and CORDECRUZ unless funding becomes available. These consulting projects with international and regional development organizations have become a source of pride to PROA even when they cost the organization considerable time and money. PROA must look beyond the glory to whether these projects really make sense for the organization. If recovering costs seems probable, PROA should begin negotiations on funding²² and continue involvement in these projects during negotiations. If not, PROA should immediately discontinue them--that is, give notice that PROA no longer has funding to carry its internal cost and wind up its involvement in these projects. In no case, however, should PROA continue its involvement in these projects for more than one year without negotiating coverage of its costs. New consulting assignments and work of other kind should only be accepted if they have on-going funding--a minimum of one year--or if PROA's business plan (see Section VI) specifically targets this activity for development. Otherwise, PROA risks investing its organizational resources in a market that is likely to disappear.

V. PROA'S ORGANIZATION

From 1988 to 1991, PROA operated as an organization without legal statutes. Consequently, PROA management had no Board of Directors or member/stockholder assembly to consult with on organizational structure, operations, etc. In 1991, the organization gained legal status under the name Centro de Servicios Integrados para el Desarrollo Urbano, although it is still usually referred to as "PROA." PROA management now has a Board of Directors to whom to turn for help, to act as a sounding board, and to whom they must justify and get approval for major organizational decisions.

The management of PROA has been composed of the same people since the early days of the program. Hence, great continuity exists at the top. In addition, two key people who left the organization are now on the Board, one as President. In sum, PROA has had a capable and cohesive management to carry out the pilot program. However, the management team lacks a commercial business orientation, which they need now for the transition to a self-sufficient organization. A past evaluation of PROA (Peterson/Ashe 1990) has recommended that PROA hire at least one staff member with such a background. Hiring a well-qualified business person with a recognized track record in NGO management and including this person within PROA's top management have become essential.

²² "Negotiations" would include discussion with international donors for support of the project.

5.1 Organization and Management Structure

Figure 1--an organogram--presents PROA's current structure. It shows two main operating areas under the general manager: the Program Manager and the Project Manager. Under each one are a series of programs and projects presented in matrix form, indicating crossfertilization. It is unclear how they are related. The programs and the projects are on the same level and both appear to represent the output of the organization. This also confuses observers, although it is related to the history of the organization.

Initially, PROA'S role was to catalyze and coordinate, rather than implement programs. Therefore, activities such as coalition building were ends in themselves. PROA's main operational activities were to develop and test a community development method on a pilot scale. Hence, these methods were the focal point rather than the projects. PROA has experimented with a wide range of pilot projects on small scale where little separation and much overlap existed between projects and community development methods. Some of these projects have grown past the pilot stage and others have considerable potential. PROA's structure, which confuses "programs"--which function mainly as the organization's methods--and "projects", reflects this evolution.

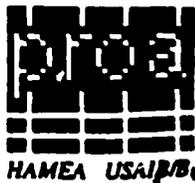
Under this system, senior management have multiple titles and functions. For example, some managers are overall heads of programs but also manage projects. This is only possible when projects are small pilots. Even the general manager has direct project and program responsibilities under the current arrangement. Again, this is understandable because PROA was an organization with no financial or institutional objectives to absorb the management. The senior managers are spread too thin, because of the structure and the gamut of programs and projects. Looking from the outside, defining who is responsible for what is difficult.

This structure impedes cost-center accounting and decision-making based on financial sustainability. Currently, PROA's accounting attempts to pro-rate costs over both programs and projects. However, these estimates are undocumented. For instance, a portion of senior manager's time may be allocated to a project or program, but with no verification through time sheets or other means. Also, no attempt is made to pro-rate income.

Finally, this organizational structure makes explanation of PROA to potential funders and other interested parties difficult. PROA staff is disciplined, energetic, and eager to explain the organization and its programs. However, these virtues are insufficient to overcome the complexity created by the organization's structure in any reasonable time. As a result, explanations of PROA tend to last many hours and, sometimes, days.

Recommendation: PROA should eliminate the matrix and establish four "programs": employment, health, housing, and institutional and community development. Clear management responsibility for each area should be established. Cost-center accounting should be adopted both for each of these four program areas and for each of the components of these program areas--that is, what we call PROA's projects. Adoption of cost-center

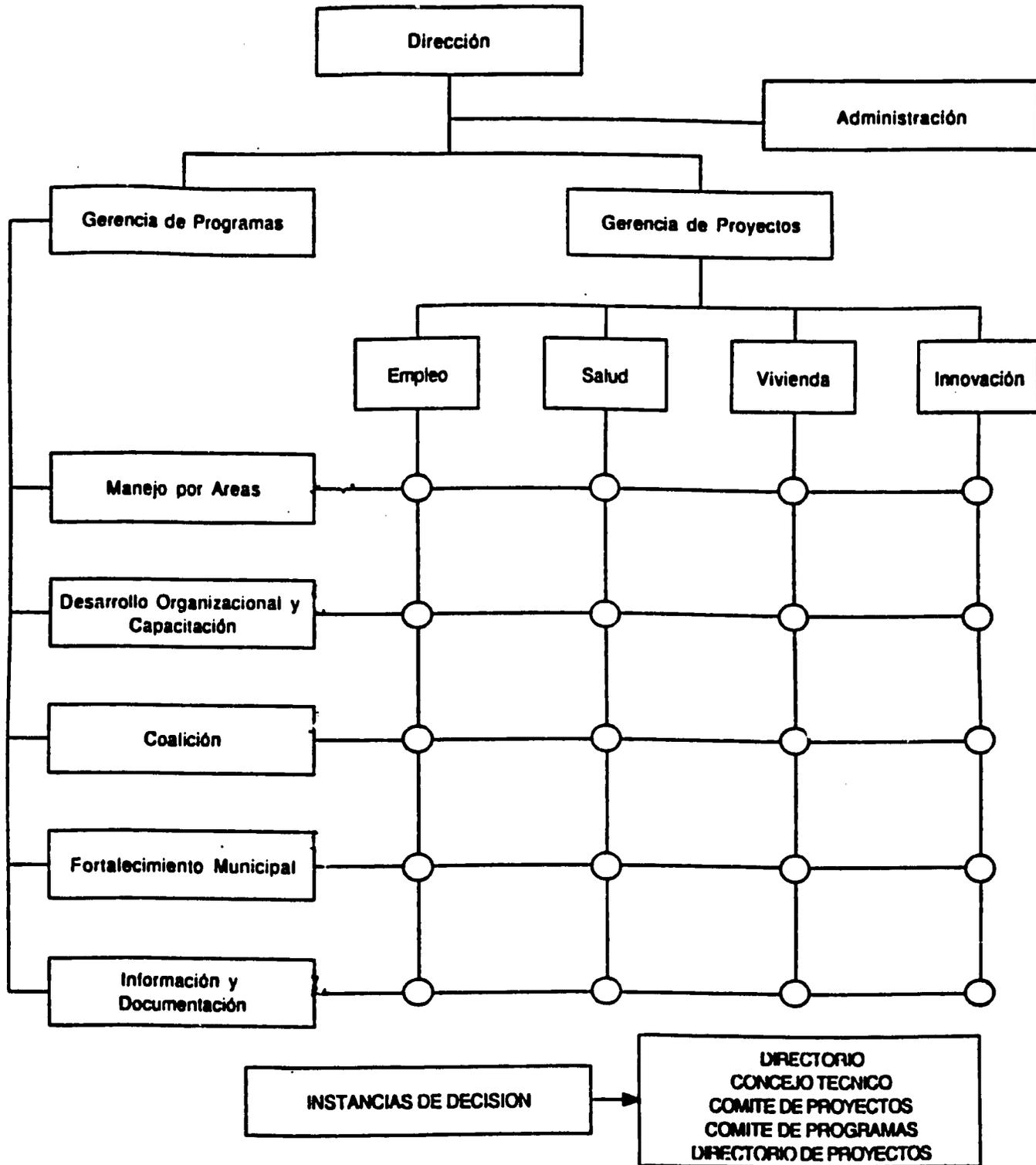
Figure 1



PROGRAMA PILOTO DE DESARROLLO URBANO DE EL ALTO

EL ALTO - BOLIVIA

ORGANIGRAMA



accounting will appeal strongly to donors, including AID, which may want to channel assistance to specific programs and projects rather than for general assistance. PROA's program and project descriptions should be re-written to reflect this change and shortened substantially. A brief document that broadly explains PROA--possibly an annual report--should be written, translated into English, used to promote PROA to national and international organizations, and reproduced in suitably high-quality form.

5.2. PROA's Board of Directors and Staff

PROA's new Board includes 7 seats, 5 of which have been filled by friends and colleagues of the management, including two former managers. The Board is composed of established professionals, rather than high-powered public or private executives that could open new doors for PROA. The general managers of two entities that execute programs jointly with PROA are on the Board, establishing a close relationship with these organizations; they are Carlos Cuellar of PROSALUD and Carlos Cardozo Gonzales of Mutual La Paz.

The PROA staff includes a director, 2 senior managers of projects and programs, 10 project/program managers, 3 information-accounting technicians, 14 field personnel (including 8 promoters for 4 projects, 4 community center administrators, and 2 materials bank assistants), and 4 support personnel. The staff totals 34 people, who are developing some 20 different projects.

The staff at all levels appear well-qualified educationally and professionally. The three most senior managers, in particular, have impressive backgrounds: a civil engineer with broad experience in various Latin American countries and the United States; a physicist/mechanical engineer who has headed national science programs in Bolivia and other Latin American countries; and an economist/manager with experience working with the Inter-American Development Bank, AID, and CEPAL. However, despite the overall high level of competence, PROA staff lack business skills--a critical ingredient for moving from pilot project to sustainability in low-income areas without easily accessible resources. In sum, PROA is heavy on technical capacity and short on business and managerial orientation and experience.

PROA has followed a policy of paying good salaries, at the level of the best NGOs. Salary levels are well above those of government and not far below those of the private sector. Partly as a result PROA has maintained its personnel.

Finally, PROA enjoys considerable esprit de corp. One indication is that management and other higher level employees have joined together to purchase a plot of land out of their personal funds as the site of the organization's training center for El Alto.

Recommendations:

- PROA should develop its Board of Directors with members who can open doors for support and make a contribution in policy and business strategy. Currently, two Board seats are vacant. These positions should be filled with high-profile business or government executives who can help the organization. PROA's participation in ASOBUR--a private

association involved in promoting the private sector role in urban development--might also be useful in developing high-level support for PROA.

- PROA should hire a well-qualified business person with a recognized track record in NGO management. This person should join PROA's top management--that is, the two engineers and the economist/manager--in setting the course and directing the organization.

- PROA's management should be restructured to accomplish the following organizational goals: focus adequate management time on the institutional and financial needs of PROA; set clear coherent areas of responsibility for each top manager; organize the operational part of PROA under clear direction and around a manageable number of identifiable operational programs. All projects should fall under one sectoral program area with one program manager and a clear chain of command. Support functions--much of what PROA currently calls "programs"--should be located where they best fit given PROA'S personnel and new organization structure.

Ultimately, only PROA can re-organize effectively. As an illustration, however, we present a structure that would fulfill the above objectives.

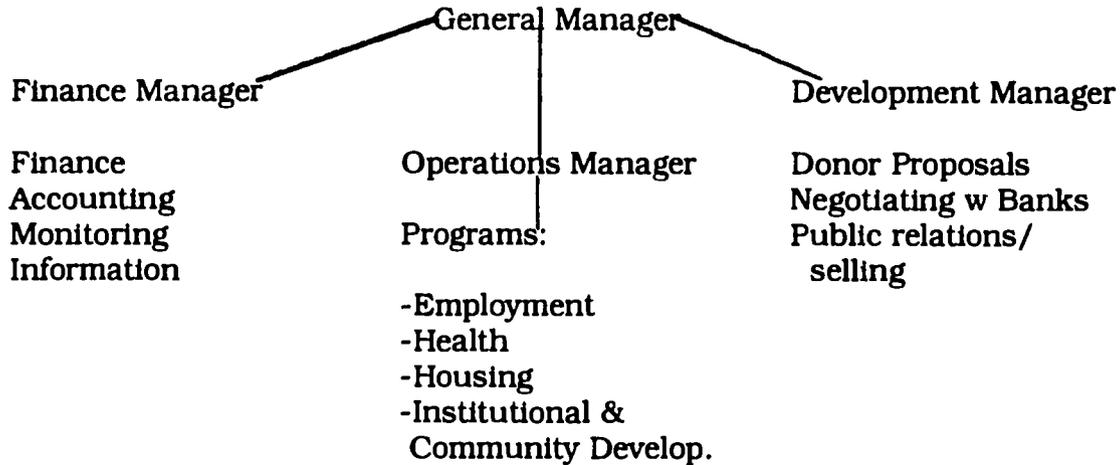
Under Figure 2, there would be 3 key managers under the general manager. The finance manager would be responsible for financial planning, budgets, accounting, monitoring, information, and reporting to donors and other sources of funds. This manager should bring a business perspective to the organization, apply constant pressure for financial self-sufficiency, and develop financial cost-recovery mechanisms. The development manager would be responsible for mobilizing funds from donors, banks, and all external sources to fuel the organization. He/she should have strong public relations, selling, and coalition building capabilities, as well as manage proposal creation. Operations management--which could be split into two positions--would focus on the field operations, leading and assisting the four or five program managers. This (these) manager(s) would direct and support the program managers in developing expansion plans, coordinate inputs to the program areas, and overcome operational bottlenecks.

The 4-5 programs would be under the direction of program managers. Each program would be composed of a number of projects--that is, the activities profiled and analyzed in Section 4.2.

This type of structure provides clear responsibility, focuses the organization on its priorities, and ensures management support focused on the key operating programs. It ties method and support functions to end projects.

FIGURE 2

ILLUSTRATIVE ORGANIZATIONAL STRUCTURE FOR PROA



VI. SUSTAINABILITY STRATEGIES FOR PROA AND RECOMMENDATIONS FOR AID

6.1 Projected Budget and Revenue Gap for 1992 and 1993

PROA has only begun to think about financial sustainability and alternative revenue-generation strategies outside of AID funding. Much of the reason is that it simply takes time to develop good projects and programs that are potentially self-financing. For instance, after two years in the pilot project stage, the micro-enterprise loan project is currently recovering 10% of its cost with an annual loan volume of about \$100,000. Based on conversations with the Banco Nacional de Bolivia manager who finances this experimental project (and wants to go carefully on its expansion) and with PROA staff, it is reasonable to expect that this project can expand to \$250,000 in 1992, \$500,000 in 1993, and, the break-even loan volume of \$1,000,000 in 1994. In this case, development from experiment to self-supporting project is likely to take 6 years. PROA is only 3 years old. A number of its projects are at a similar stage of development.

Nevertheless, detailed budget projections undertaken with PROA staff indicate that PROA can expect to make substantial progress on cost recovery in 1992 and 1993. Assuming no AID funding except for projects already authorized (notably PROSALUD and the industrial park in the trade free zone), the following table summarizes the results of this exercise using the budget categories proposed for PROA's programs:

TABLE 3

PROJECTED PROA BUDGET AND REVENUE GAP FOR 1992 AND 1993
(in Thousands of U.S. Dollars)

Program	1992	1993		
	Revenues	Costs	Revenues	Costs
Employment	\$15	\$90	\$159.5	\$110
Housing	\$29	\$110	\$55.5	\$130
Health	\$112	\$100	\$112	\$120
Org. & Instit. Development	\$0	\$220	\$0	\$250
Total	\$156	\$520	\$327	\$610

A number of conclusions can be drawn from these figures. First, PROA is likely to make substantial progress towards cost recovery in percentage terms; the organization goes from minimal cost recovery in 1991 to 30% in 1992 to 53% in 1993. Second, the absolute gap between revenues and costs is not narrowing rapidly, largely because of the substantial monies spent on organizational and institutional development; much of this category consists of PROA's community development and participation activities. The heavy overhead that these community development activities represent strongly suggests that they be carefully scrutinized for their value in supporting revenue-generating projects and, if funding is unavailable, reduced.

These budget projections are fundamental to the strategies recommended for PROA and for AID below.

6.2 Sustainability Strategies for PROA

Most fundamental, PROA should develop and apply a business plan. PROA has little experience in this activity, so outside assistance may be necessary. The process should bear similarities to that of the two-and-a-half day strategic planning sessions conducted as part of this research, except with PROA senior management taking the lead in asking questions. Specifically:

- Redefine PROA's organizational objectives in terms of sustainability. In addition to modification of existing objectives, PROA should formally adopt a specific sustainability objective.
- Identify high priority projects--that is, those that have the best potential for cost recovery or that are truly essential to PROA's social objectives. PROA should ask itself the question, "Which projects would we undertake if our general administrative budget were reduced by one-

third... halved...reduced by two-thirds?" to help prioritize the organization's activities. Individual project plans should be prepared for each of these high-priority activities, as follows:

- Identify the market of each high-priority project, including: current costs and revenues; clients and potential for expansion under different scenarios such as continuing expansion at the current rate, if more resources were invested in the project, if PROA expanded its operations to other geographic areas etc.; set self-financing targets for each of these projects.
- Determine the needs for expanding each of these high-priority projects, including credit, personnel, equipment, institutional contacts, general administrative support etc. Identify the potential suppliers of these needs. For instance, the potential suppliers of credit include savings and loans (mutuales), banks, central government programs and ministries, and international institutions. Project the expansion over at least three years in terms of costs and revenues, needs, benefits to clients, geographic scope, and necessary organizational partners.
- Assemble the high-priority project plans into an overall strategy plan. Set overall cost recovery targets for PROA over a three year period. Determine the potential of funding the gap between costs and revenues from various entities, including AID, other international donors, and domestic sources. As the estimates in the preceding section indicate, PROA's community development activities ("manejo por area") are likely to make this gap large. PROA should carefully scrutinize these community development activities to identify which are either truly essential to revenue-generating projects or are likely to be funded by donors in order to narrow this gap.
- Develop a series of proposals geared to international organizations and others indicating the costs and benefits to their support of individual projects or groups of projects (programs). Such proposals should include the level of projected cost recovery from beneficiaries and the means by which the potential donor's funds might be leveraged by PROA's resources, benefits resulting from other PROA projects, or the funds of other international donors, such as AID. The proposals should emphasize this match.

One set of attractive proposals should involve donor finance of local people to take advantage of key PROA projects currently poised for expansion--specifically, the micro-enterprise credit project and the housing upgrade credit project. The operation of these projects and the PROA staff necessary to promote them are in place. Good demand exists. The main bottleneck to their enlargement is credit. PROA should be sure to propose a fee adequate to cover its project costs. These projects offer donors a rare opportunity: low risk with potentially high

cost recovery from beneficiaries. In order to avoid the appearance of international philanthropy--which might discourage borrowers from paying--donor funds could be channelled through a local financial institution. However, this advantage must be balanced against the danger of delays of disbursements because of more bureaucracy and the cost of dealing with these financial institutions.

PROA should also propose that donors provide loan finance to local governments--especially that of El Alto--to use PROA to establish and/or execute revenue-generating urban development projects. Such donor loans to local government could be collateralized by the transfer payments from central government to the municipality(s). They should include a fee for PROA's services adequate to cover the organization's costs. Such proposals should highlight estimates of how much local government gains or saves in revenues because of the project and compare these amounts to the debt service on the loan. Candidates for such proposals are the triciclo project, health clinics (in tandem with PROSALUD), establishment of cadastral and property tax collection systems, and other revenue-generating urban development projects where PROA has expertise.

- Review progress towards the objectives set in the business plan periodically (perhaps three times a year along with the AID reviews proposed below) and correct course as necessary. PROA must get into the habit of evaluating and re-assessing its projects based on its strategic goals, rather than simply doing whatever seems promising and logical at the moment. Its information and data-gathering capacities should be expanded from defining community problems to include evaluation of PROA projects.

PROA urgently needs a business plan and should proceed with this process immediately. As discussed below, we recommend that development of a business plan and self-financing targets be a condition of future AID funding of PROA. Because of its urgency, the business plan is likely to precede other reforms recommended in this report that support it, including redefinition of PROA's methods to focus on projects, simplifying PROA's organizational structure, and cost-center accounting. Hence, the business planning process should be used to investigate and define these other reforms. The business plan should be done before the public seminar/workshop outlined in Appendix IV so that this meeting can contribute to refining it.

Finally, PROA must publicize that it can no longer depend on AID for the bulk of its funding. Such publicity can help convince local people, government, and other organizations that they must pay for PROA's services--that PROA is now a private entity and no longer a philanthropy or a quasi-government agency. A second place to start the announcement that PROA can no longer continue involvement in the specific projects that fail to cover the organization cost (See section 4.4).

Setting a new public perception of PROA is a delicate but essential task. PROA management should carefully study how to do this and tailor its approach to the type of client. For example, financial institutions that are PROA's partners might be presented with PROA's costs and revenues from the project in question, and then asked to allow an increase in PROA's fees. Micro-entrepreneurs that receive PROA-brokered loans might be asked for a payment in the form of their product in addition to the loan fee charged by PROA, which only partially covers PROA's costs.

6.3 Recommendations for AID

Should AID continue to fund PROA? It could be argued that AID has indicated that funding may end as of March 1992 and that PROA should find other sources of financing as of this moment.

Discontinuing AID support of PROA at this moment would be a serious mistake for AID that might well lead to the drastic reduction or end of PROA. Neither PROA nor AID has taken comprehensive efforts to prepare PROA for sustainability. PROA projects and organization have only recently matured to the point where sustainability is a viable goal. AID has only recently begun to face the implications of this transition. Thus, expecting that PROA can make this difficult change without substantial support is unrealistic. Giving PROA the chance to make the transition to financial self-sustainability has a number of important benefits to AID. Most fundamental, PROA has made important progress in defusing the socio-economic "time bomb" that El Alto represents. In addition to meeting AID's five strategic objectives, PROA enhances AID's standing with other donors and the community of El Alto. AID should take credit for this success, preserve its substantial investment in PROA (\$1.25 million through 1992), and give PROA the opportunity to maintain its effectiveness by providing the bridge funding necessary for the transition to financial self-sustainability. Such steps should be taken before ending AID general assistance to PROA. AID should establish sustainability goals based on PROA's business plan that PROA must meet to receive further funding over the next three years (March 1992 to March 1995). These goals should provide for matching AID funds with those of other donors and organizations. AID should also provide some key assistance to help PROA meet these goals. At the end of three years, AID funding of PROA's administrative costs should cease. However, AID may want to fund projects in particular areas, as it is doing to finance PROA's promotion of PROSALUD health centers. Specifically:

- AID should fund substantial but declining portions of PROA's revenue gap over the next three years, and require that PROA provide a counterpart contribution to AID funding to cover the remainder of this gap. The possible sources of PROA's counterpart contribution include support from other international donors, cost recovery from project beneficiaries, and internal cost reductions. As Table 3 indicates, this revenue gap will be approximately \$364,000 for 1992 and \$283,000 for 1993 given PROA's current manner of operation. AID could fund 90% of the 1992 budget gap (\$327,600), 75% of the 1993 budget gap (\$212,250), and 60% of the 1994 budget gap. These amounts compare

with AID's funding of PROA at an average of \$415,000 per year from 1988-1991 for administrative costs. Greater funding at the beginning of the three-year transition would give PROA the essential support to plan and launch the transition. Funding from other donors would most likely compose an important share of PROA's larger counterpart contributions in the later part of the three-year transition. After these three years, AID should end all general administrative support to PROA.

As a condition to AID funding, PROA should develop a 3-year business plan as outlined above that sets self-financing targets for each third of a year and proposes how PROA can provide a counterpart contribution to AID funding to close the budget gap during this period. PROA should be required to report on its progress three times a year and, if it falls short of these goals, the reasons. The agreement between AID and PROA should specify that funding can be reduced--but not below a specified floor--if these reasons are unacceptable to AID.

- Funding well-defined steps towards financial self-sustainability is by far the best approach to weaning PROA from large amounts of support from AID. However, if sufficient funding is unavailable for this approach, one option is to fund various PROA projects that have high priority for AID. AID is currently using this approach on a number of PROA projects. AID is funding PROA to perform community outreach for 20 health centers operated by PROSALUD over the next five years. AID is also funding PROA's involvement in the industrial free trade zone in El Alto in association with Carana Inc. AID could fund PROA's involvement in other projects in such areas of health, trade and investment, and--if this becomes a priority--municipal development.
- Twenty to thirty percent of AID's funding should finance activities that assist PROA to become self-financing:
 - The salary of a well-qualified business person, who should join PROA's top management. The ideal candidate would have extensive experience in NGO development in Latin America.²³ If necessary, AID should also finance short-term business consulting services to assist PROA in tasks requiring special expertise.
 - Presentation of PROA's experience at international conferences, so that other donors are exposed to PROA. AID should also energetically facilitate contacts between PROA and other donors and emphasize that their general support of PROA would be highly leveraged by AID funds over the next three years.

²³ The position of finance manager described in our illustration of a possible PROA organizational structure in section V overlaps most of these functions. However, the development manager also shares somewhat in this role.

--If necessary, specialized technical assistance in such fields as micro-enterprise development. A good approach would be to fund travel/study visits of PROA staff to examine successful projects in Bolivia and other Latin American countries. Occasionally, support of outside consultants to help PROA establish programs may be indicated.

- AID should take measures to convey ownership of the equipment (computers, furniture etc.) currently on loan to PROA to this organization.
- A PROA end-of-project seminar should be held and used largely to investigate funding for PROA (see Appendix IV). AID should actively participate in the planning for and implementation of this conference. The partners of PROA and other international donors should be invited.
- AID should consider closer interaction with PROA on specific technical tasks and other projects. PROA has built up an expertise in design and implementation of urban development projects that may be useful to AID. AID should consider using PROA staff as consultants in this and other areas. Conversely, PROA can benefit from AID's knowledge and contacts in other areas, such as fund-raising.

VII. LESSONS LEARNED

PROA has been broadly successful in a range of areas. A number of lessons from this experience may have relevance for other AID projects:

7.1 Promoting Municipal Development and Local Democracy: From the Top-Down, the Bottom-Up, or Both?:

PROA started with what the organization now considers a "top-down" approach to promoting municipal development. A major purpose of PROA has been to strengthen the local government of El Alto. As noted, PROA has made frustratingly slow progress in this effort because of factors both generic to Bolivian municipalities and specific to El Alto's local government. Consequently, PROA has decided to work mainly with local people, community groups, and other grassroots entities to influence local government from the bottom up. Is this evidence that AID should focus mainly on NGO's in supporting municipal development. The answer is "no" for a number of reasons:

First, PROA's experience in El Alto is unusual--see Section 3.2. The municipality of El Alto is unusually weak for a major urban municipality. PROA is an unusually strong NGO. Second, even strong NGOs such as PROA have much more limited geographic and functional scope than local government. PROA has reached only 5% of El Alto's neighborhoods with its programs and methods. In contrast, local government exercises at least some influence on the entire municipality with its

actions. Third, despite the drawbacks of the democratic process in Bolivia, local governments are elected, and representative bodies. NGOs are not. Fourth, PROA has limited capacity to reform the systems within local government.²⁴

PROA-like organizations cannot replace local government and should not be the prime focus of AID's support of municipal development. However, joining support of PROA-like organizations with that of local government offers the best formula for municipal development in Bolivia for two reasons.

Most fundamental, Bolivian municipalities are weak by Latin American standards. They are only beginning to gain the resources and legal authority necessary to play a significant role in development. In the meantime, a vacuum exists at the local level that effective NGOs such as PROA can help fill.

PROA-like organizations can also enhance local democracy. Establishment of an electoral system is an important first step. However, the responsiveness of government to the needs of people for basic services such as water, sewer, and health is perhaps even more meaningful. PROA has demonstrated that it can help provide these services in conjunction with local government.

In addition, PROA has helped counter assistencialism. Municipal politicians frequently build electoral support by giving away services and other benefits. Local people have been conditioned to view government as the source of favors, not effective programs. PROA has combated assistencialism through its participatory and community development methods. Hence, PROA-like organizations can help re-orient politics towards programs and away from favors.

Thus, AID should continue to assist PROA and PROA-like organizations to support local development. However, AID could also usefully support local governments directly in a different project. Bolivian municipalities suffer from many problems afflicting local government in other Latin American countries, such as low revenue collection, poor cadastral and other systems, no municipal career ladder and low salaries, few trained or technical staff, and usurpation of local functions by central government ministries and agencies. Many of the standard remedies apply to these problems: training municipal staff, strengthening associations of municipalities and organizations that provide assistance to municipalities, technical assistance to improve cadastral and other systems, and decentralization of powers and responsibilities from central to local government. In addition, the local electoral system in Bolivia is highly problematic and badly needs reform (See section 3.2).

7.2 PROA: Catalyst or Implementer?

Initially, PROA was given the role of catalyst. This role remains appropriate where PROA has no comparative advantage and another organization does. For

²⁴ For example, after PROA trained municipal staff and assisted in reforming the local permit procedure system, the subsequent mayor of El Alto let these staff go and suspended these reforms.

instance, spinning off the medical aspects of PROA's health clinic to PROSALUD made sense, despite PROA's success in this activity; PROSALUD has a long track record and greater expertise in health than PROA. Similarly, retaining the task of community outreach for this program fits the community development expertise of PROA.

With time, PROA has become an implementer of programs. PROA found no organizations available for operating many of these pilot projects. More fundamental, financial sustainability requires implementation of at least the organization's key projects. Developing these projects from idea to pilot to a scale sufficient to recover much of their cost takes considerable time--around five years in the case of many of PROA's projects. PROA must invest considerable resources, build up a staff capable of operating these programs, and develop the relationships with local people and other organizations necessary to these programs' expansion. In sum, PROA must build its staff and organizations around its major projects. Spinning these programs off at the point that they finally achieved cost recovery would be disastrous.

Thus, PROA must implement as well as catalyze projects if the organization is to recover costs from beneficiaries. PROA's potential to capture resources from international donors and to consult on urban development also depends on its role as an implementer and its cost recovery record. IF PROA can successfully scale up its programs and demonstrate progress in cost recovery, the organization is likely to generate funding and consulting contracts from donors and other organizations. If not, PROA faces a less secure financial future of continuing dependence, principally on international donors for implementation of pilot projects.

7.3 Gender Considerations

A number of PROA's projects primarily assist women. The micro-enterprise loan project lends predominantly to female-headed small business. PROA's community economic projects take largely female applicants who know nothing about a business, train them, and provide credit or other assistance; however, because this project attempts the difficult task of starting from nothing, its results are problematic. PROA's community outreach for PROSALUD health centers is vitally important in reaching mothers and young children--those most in need of health care and least able to investigate or use assistance on their own. Overall, PROA makes a special contribution to assisting women to play a greater role in local development, an emphasis suitable to other projects.

7.4 Other Operational Lessons

A number of other lessons apply to organizations such as PROA and their funders:

- Innovative urban and local economic development projects take some time to develop. PROA's most promising pilot projects--such as the housing improvement credit, micro-enterprise credit, and health programs--are taking over five years to develop from idea to

sustainability. Inevitably, the maturation of such projects accompanies the development of the organization that operates them. New organizations lack the contacts and credibility necessary to develop projects to financial sustainability, even if they have a good idea. As organizations mature, they develop this ability. Patience is necessary to stay the course while both organizations and projects develop.

- **Build coalitions around a specific problem.** Initially, PROA attempted to create a grand assembly to address El Alto's problems. This approach failed. Subsequently, PROA learned to define specific problems and build coalitions of interested organizations around specific issues. PROA researches and defines the problems, identifies the organizations with an interest in the problem, reaches an accord with these organizations on their specific responsibilities, and maintains constant contact with these partners. This approach has proved extraordinarily successful, and has leveraged resources far beyond those immediately available to PROA. It depends on the ability of PROA management to communicate with the heads of these organization's as equals. PROA's role as the secretary of coalitions of El Alto is a key factor in the organization's success, and deserves application in other projects.

- **Tenacious non-partisanship.** El Alto is a highly politicized environment. PROA has continued to exist under many different mayors because these mayors know that they can work with PROA and receive credit for PROA's accomplishments. Thus, most El Alto mayors have viewed PROA as a valuable political resource rather than a program identified with their successor and, thus, indicated for elimination.

APPENDIX I

REPORT METHOD

The research method consisted of four phases:

1. Interviews of and presentations by PROA staff on their projects and programs over 4 days.
2. Interviews of PROA program beneficiaries and program partners (financial institutions, neighborhood groups, PROSALUD, AID staff, other donors etc.) over 4 days.
3. Field visits to PROA projects.
4. A 2 1/2 day strategic planning session. These sessions analyzed PROA's objectives, organization, strategies, and budget as a pilot project from 1988-March 1992 and modified them to suit PROA's future as a permanent organization. Rather than make suggestions, we tried to ask questions and stimulate PROA senior management to re-think their organization. These sessions proved valuable. Many of the report's recommendations derive from them.

APPENDIX II

INSTITUTIONS AND PERSONS CONSULTED

1. PROA STAFF

- Raul Bascon
- Maria Luisa Betancourt
- Gaston Mejia Brown
- Jaime Cusicanqui
- Fernando Finot
- Tim McFarren
- Alberto Nogales
- Winston Pacheco
- Marcos Paredes
- Manuel Pacheco Sanabria
- Augusto Soliz
- Jorge Valenzuela

2. PROA PARTNERS AND OTHER ORGANIZATIONS

- Miguel Aramayo, mayor of the municipality of El Alto
- Eveline Waas, geographer ; Mabel Cruz, Coordinator: IREC
- Carlos Cardozo Gonzales, General Manager; Hugo Ponce, Chief Loan Officer: Mutual La Paz
- Carlos Javier Cuellar: National Executive Director: PROSALUD
- Miguel Hoyos B.: USAID
- Jose Komarec, SAMAPA
- Eduardo Alvarez Lemaitre, Regional Manager; Mario E. Espinar, Credit Administration: Banco Nacional de Bolivia
- Enrique Aller Lopez, Project Coordinator; Dolores Martin Millalba: General Coordinator: Spanish Assistance
- Luis Fernando Moreno, USAID
- William Tucker: World Council of Credit Cooperatives and PRODEM.
- Jorge Vacaflor, President; Max Gutierrez, Secretary: FEJUUBE
- Luis Vicario, United Nations Development Program/HABITAT

APPENDIX III

DOCUMENTS CONSULTED

PROA DOCUMENTS--dated 1991 unless noted:

- Bascon, Raul; Programa de Fortalecimiento Municipal
- Bascon, Raul; Resumen Executive de Los Proyectos de Salud
- Brown, Gaston Mejia; Proyecto COAFOR/FOFIFO
- Cuisicanqui, Jaime V.; Programa de Desarrollo Organizacional y Capacitacion, Informe Final
- Diagnostico del Area Pilot de Villa Bolivar "D"
- Finot, Fernando; Proyecto de Salud
- El Hombre y Su Desarrollo
- McFarren, Timothy; Proyecto Banco de Materiales
- Mujia, Gaston; Proyecto de Conexiones Domiciliarias
- Plan de desarrollo de la Microregion Puerto Suarez Quijarro
- Pacheco, Manuel and M. Luisa Betancourt; Proyecto de Empleo
- Paredes, Marco Antonio; Programa de Manejo por Areas
- Paredes, Marco Antonio; Sistematizacion del Programa de Manejo por Areas
- Pacheco, Winston; Proyecto Zona Franca Industrial
- Políticas Institucionales del Centro de Servicios Integrados para el Desarrollo Urbano, PROA - 1991
- Programa Piloto de Desarrollo Urbano
- Soliz, Augusto, Programa de Informacion y Documentacion
- Valenzuela, Jorge; Proyecto Barrio Madrid Centro Promotor
- Valenzuela, Jorge; Proyecto de Vivienda

OTHER DOCUMENTS:

- Ashe, Jeffrey; Enterprise Programs for Poor Communities, prepared for The Urban Institute, December 1989.
- Evans, Hugh and Ines Useche de Bril; La Iniciativa de Desarrollo Urbano Evaluacion Provisional, Planning and Development Colleborative Inc., Washington, D.C., July 1990.
- Micro and Small Enterprise Project Implementation Report, Draft, November 1987--no author cited.
- Peterson, George E. and Jeffrey Ashe, Proa Recommendations for Strategic Development Plan, Urban Institute, March 1990.
- Peterson, George, Tim Campbell, Caroline Guarnizo, and Jeffrey P. Telgarsky; Bolivia Evaluacion de Desarrollo Urbano, volumes 1 and 2, The Urban Institute, March 1988.

APPENDIX IV

PROA SEMINAR AND PARTICIPANT LIST

We recommend that a PROA-end-of-project seminar be held in the first half of March 1992, rather than January as initially proposed. Postponing this event gives time for PROA to prepare for it based on the recommendations in this evaluation, including the development of a business plan. This seminar should have two principal objectives:

1. Discuss the lessons learned from PROA's experience based on this report, presentations, and other materials.
2. Investigate and enlist support for achieving greater financial sustainability for PROA. We have recommended that PROA immediately develop a business plan and that AID funding be contingent on this plan. This seminar should be scheduled so that PROA has sufficient time to prepare this plan. This report and/or the business plan should be distributed to participants at least two weeks in advance of the seminar.

One workshop of the seminar should be devoted to public discussion of these documents. This discussion serves two useful purposes. First, the ideas of PROA's partners and others can contribute to refining and further revising the business plan. Their opinions will be particularly valuable in identifying unrealistic assumptions made by PROA or AID and new ideas on how to fund PROA that should be incorporated into the business plan.

Second, this workshop could serve to announce to PROA's partners and others that PROA can no longer depend on USAID, that the organization must negotiate for the real cost of its services, and that PROA needs the support of other donors to leverage AID's partial finance of its general administrative costs over the next three years. Many of the organizations with which PROA must negotiate should be invited--see the suggested list of invitees. Discussion at this workshop should elicit the ideas and, if appropriate, the commitments of these organizations funding PROA.

Representatives of the following organizations, among others, should be invited:

- ASOBUR
- Banco Nacional de Boliva
- Belgian Embassy
- CIBEE
- CORDECRUZ
- DIFAD
- FONVI
- Institute for Housing Studies and the Dutch Embassy.
- Inter-American Development Bank
- Inter-American Foundation
- IREC and the Swiss Embassy

- Mutual La Paz
- Mutual La Primera
- Municipality of El Alto
- Municipality of La Paz
- MUPADE
- ICI--Spanish Assistance
- PROSALUD
- SAMAPA
- Swedish Embassy
- United Nations Development Capital Fund and United Nations Development Program

DELIVERY ORDER

STATEMENT OF WORK

BACKGROUND

El Alto experiences a growth rate more than three times the national average due to immigration, with the current population totaling approximately 400,000. The migrants are generally young, leading to an even higher rate of growth among the labor force. The accelerated rate of growth strains the limited capacity of existing municipal institutions and the private sector to create new jobs and deliver services. As result, El Alto has experienced significant levels of urban unemployment and shortages in shelter, infrastructure, and community services.

Informal sector enterprises¹ and self-help community organizations have proliferated as a response to the increased need for employment and a better standard of living. Informal sector investment, primarily financed through the savings of low income families, far surpasses the investment made by formal institutions and businesses. However, these and other resources could be utilized more effectively and efficiently to create greater investment, employment, and infrastructure development opportunities.

In response to the need for building the institutional framework and developing existing resources in El Alto, USAID/Bolivia entered into the Urban Development Initiative with the Programa Piloto de Desarrollo (PPDA) in June, 1988. This initiative has been funded with local currency funds from the Bolivian Government available under USAID's KMF program.

The goal of the Urban Development Initiative is to increase the levels of employment and improve the living conditions of selected urban populations. The purpose of this project includes: (1) institutional strengthening of local government, private, voluntary and community organizations that work in El Alto; (2) establishing a multi-institutional network of primary health care providers; (3) promoting employment generating activities, especially micro-enterprise development; and (4) improving the housing conditions and infrastructure for lower income groups.

¹ Those enterprises operating outside the formal legal system.

55

ATTACHMENT A

Page 2 of 10:

PIO/T No. 511-0000 .03-3-10160

The implementation strategy employed concentrates efforts and resources in selected areas to help municipal authorities and private businessmen to broaden their views on the role they should play in urban development; to understand and work with the informal sector; and, to form working coalitions and develop joint strategies to expand productive activities and the coverage of urban services. Towards this end, PROA identifies areas within El Alto where there are possibilities for supporting- not substituting local initiatives to develop alternative workable solutions for local problems. This model draws upon the concentration of resources from various disciplines applied to specific needs where, through effective community participation, the local organized groups assume the responsibility of improving their own conditions of life.

Article I :: PROJECT DATA

Project Title: Urban Development Initiative in El Alto; Project Number: 511-0003; PACT: March 31, 1992. Project Authorized Funds: US\$ 1,200,000; Mid-term evaluation: July 1990.

Article II.- EVALUATION OBJECTIVE

The objective of this final evaluation is to assess the strengths and weaknesses of this project in terms of its purpose and approach, and make recommendations for maintaining and sustaining PROA's impact on the community of El Alto.

Towards this end the evaluation team will address the following: (1) the progress made towards achieving the purpose of this initiative; (2) the strengths and weaknesses, accomplishments and failures of PROA and its projects in terms of defined objectives and the sustainability of its efforts; (3) the feasibility of applying the PROA model to other urban area institution-building efforts; (4) lessons learned and recommendations for the future of PROA (including USAID/BOLIVIA financial support) in regard to facilitating the development of El Alto.

Article III :: EVALUATION STRATEGY

A team planning meeting will be held at the beginning of the in-country evaluation activities to review the EOW, define reporting timeliness, and review the scheduled meetings and interviews.

A formal presentation of evaluation findings will be made to PROA, and relevant municipal counterparts, private sector, PVO, and community groups involved in this initiative. This presentation will take place during the team's final week in Bolivia. The purpose of this meeting will be to present and discuss the team's findings and get feedback to be included in the final report.

Once the feedback from the field presentation is incorporated into the draft evaluation document, the team will brief the Mission on the evaluation findings and recommendations. Mission feedback will be incorporated into the final document.

Article IV -- STATEMENT OF WORK

The contractor will conduct a final evaluation to address the objectives defined above and identify any "lessons learned" in this project that might assist PROA with sustaining its efforts in the future. Specifically, the evaluation will respond to the following:

1) Progress Toward achieving the Project Purpose

Respond to each of the following in terms of project impact, sustainability (both financial and technical); transferability of the approach taken by PROA to other municipalities; and coordination required among institutional resources in El Alto.

- (A) PROA's role in strengthening local government institutions, private sector linkages, and voluntary and community organizations that work in El Alto. Comment also on PROA's role in building coalitions among these entities towards achieving the goal of this initiative.
- (B) PROA's ability to facilitate community and individual citizen participation in neighborhood and municipal government, decision-making and enfranchising citizens in the economic life of El Alto. Assess the role and impact of PROA's training activities in this regard.
- (C) The establishment of a multi-faceted program to address needs in the health sector including: institutional network of primary health care providers, reforestation efforts, and sanitation services.

51

- (D) The generation of jobs and income for low-income families through micro-enterprise development including: technical assistance in production, marketing, credit, and the free trade zone.
- (E) Improved housing conditions and infrastructure development for lower income groups including: simplified procedures for registration, "Pro Casa" credit assistance for residential improvements, alternative credit assistance to link informal persons with the formal credit system, and the "Banco Materiales" role in providing infrastructure development support.

(2) The future of PROA

- (A) Analyze the PROA portfolio of projects (Health, Housing, Employment Generation, and Innovative projects) and identify the priority of each sub-project in terms of PIKA's objectives. Include in the analysis, consideration of PROA's approach to institutional reform and community participation. Also address gender considerations in this analysis.
- (B) Assess PIKA's organizational structure, personnel policy, and staffing in respect to carrying out project objectives and in context to the PROA budget for next year. Recommend modifications to the organizational structure that might allow PROA to be more cost effective in carrying-out its mandate.
- (C) Assess PROA's revenue diversification strategy after the completion of this project and make any recommendations towards financially sustaining PROA activities beyond the life of this project. Recommendations should include means for PROA to generate funds (such as with fees for services) whenever feasible. Identify which PROA projects will continue to have funding (from fees generated at present and/or other donors), and which projects will not have funding at the end of the current initiative (March 1992). Identify the level of funding needed and the level likely to be available.

- (D) Evaluate the feasibility of USAID/Bolivia continuing assistance to PROA through an amended or follow-on project. Analyze the conditions under which continued assistance would contribute to supporting PROA as a self sufficient institution and what conditions would be precedent to PROA offering direct technical assistance (for fee) to other urban area advocacy/assistance institutes. Identify how a follow-on project would support the Mission's overall development objectives (outlined in the FY 02-93 Action Plan) based on what has been accomplished to date. Assess which other existing USAID/Bolivia Mission projects might support the PROA portfolio.

(3) Lessons Learned and Recommendations

Identify "lessons learned" during this project and recommend modifications (as appropriate) in regard to the following:

- (A) The development of an on-going PROA project and/or insights that might be offered to other USAID urban development/institution building efforts.
- (B) PROA's on-going ability to facilitate and catalyze institutional reforms in El Alto. Analyze external constraints with the Municipality of El Alto that might influence the reform process and make recommendations how this might be addressed.
- (C) Gender considerations that are/or should be incorporated into PROA's strategy for enabling access of low-income persons to the employment, housing, and health sectors.
- (D) Specific lessons learned resulting from the various project technical assistance activities.
- (E) Other lessons and recommendations.

(4) Design an End of Project Seminar to be conducted by PROA and its counterparts in January 1992

The Mission will make a decision about continued financing for PROA based on the findings of the evaluation. The purpose of the project seminar will be to highlight the lessons learned and present recommendations for future collaborative urban development activities. Participants would include PROA, the coordinating entities (municipal, FVO, private, and community), and donors working with PROA. The seminar will be open to the Press.

The contractor will include a draft seminar itinerary and preliminary participant list in the annex of the final report.

Article V. - REPORTS

(1) The Document

The contractor will prepare a written report containing the following:

- (A) Table of Contents
- (B) Executive Summary
- (C) Body of the report which should follow the format of the Scope of Work, and should not exceed 50 pages with an executive summary. It shall include a full statement of findings, conclusions and recommendations, and should specify what entity should take the recommended action. It should also include a discussion of lessons learned.

(D) Appendices are to include, at a minimum, the following:

- * Description of the methodology used in the evaluation;
- * list of documents reviewed;
- * list of institutions and persons consulted;
- * Summary of lessons learned;
- * Summary of recommendations; and
- * Completed USAID Project Evaluation Summary Form 1330-b (see attached).
- * Seminar itinerary and participant list.

(2) Submission of the Report

The draft report, including field presentation feedback (from IFCA, and the El Alto Municipality, PVO, and community organizations) will be presented to USAID/Bolivia before the team leaves Bolivia. Feedback from the Mission will be given at the time of the oral presentation and, as necessary, forwarded to the contractor during the following week. The contractor will include any feedback and/or revisions and submit the final report to USAID/Bolivia within three weeks after leaving country.

Five copies of the draft report shall be submitted to USAID/Bolivia. Ten copies (five in English and five in Spanish) of the final evaluation report shall be submitted to the Chief, Office of Health and Human Resources, USAID/Bolivia.

Article VI - STAFFING PATTERN AND QUALIFICATIONS

It is recommended that the evaluation team is composed of (1) Urban Development Specialist, and (1) Organizational/Institutional Development Specialist. The team leader could be either of these technical specialties. This team will be responsible for conducting interviews and producing the evaluation document. Input and assistance will be provided by the USAID Project Manager and, the USAID Evaluation Specialist and an USAID Regional Housing and Urban Development Officer. PRM will assist with scheduling interviews with all relevant counterparts to project activities.

Team Leader: will have responsibility for the general direction of the evaluation and the writing of the report. He/she will have had extensive A.I.D. project evaluation experience and will be fluent in Spanish. He/she will be thoroughly knowledgeable about urban development and institutional reform issues in Latin America and should be familiar with recent Bolivian experience in this area. He/she must be able to communicate effectively with the implementation agencies. An advanced degree in public planning and/or administration is highly desirable, and 10 years of consulting or comparable experience in urban planning and/or organizational development is desirable.

61

ATTACHMENT A
Page 8 of 10
PIO/T No. 511-0000 .03-3-10160

Team Advisor: will assist the team leader in analyzing the project's effectiveness in meeting its defined purpose and making recommendations for PROA's future. He/she will have an advanced degree in administration and/or urban development or equivalent experience and be fluent in Spanish.

The contractor will submit the names of the recommended candidates for each position for consideration and approval of USAID/Bolivia.

Article VII - PERFORMANCE PERIOD

The contractor will commence evaluation activities in Bolivia on approximately November 18th, 1991. This PIO/T authorizes the consultants for 18 days (each) in Bolivia. The estimated period of performance including submission of the final report, is approximately 6 weeks.

This contract will require 21 work days of effort, based on a six-day work week, as follows:

Team Leader: 18 days in-country, 3 days final report preparation in country of origin.

Team Advisor: 18 days in-country, 3 days support of final report preparation in country of origin.

Article VIII - ILLUSTRATIVE BUDGET (See Attachment B)

Article IX - SPECIAL PROVISIONS

(1) Duty Post

La Paz, Bolivia.

(2) Language Requirements and other Required Qualifications

Spanish language ability at the FSI 3/3 level is required for all consultants.

(3) Access to Classified Information

Contractor shall not have access to any Government classified material.

ATTACHMENT A

Page 9 of 10

PTO/T No. 511-0000, 03-3-10160

(4) Logistic Support

The USAID project office and/or PROA will provide office space for the team. The contractor will need to provide a computer for the team leader.

(5) Work Week

A six day work week is authorized for all consultants.

(6) Health

For short-term technical assistance, the following applies: The altitude of La Paz (13,400 feet above sea level) can have a deleterious effect on the health of persons with pre-existing medical problems and; or respiratory infection. Individuals with hypertension, diabetes, angina pectoris, coronary heart disease, asthma, emphysema, chronic bronchitis, or any history of heart attack heart disease, or lung disease, should have a thorough evaluation by their physician prior to traveling to La Paz. Persons with any respiratory infection, such as cold, bronchitis, or pneumonia should delay travel to La Paz until they have fully recovered.

USAID/Bolivia requires a doctor statement declaring that incoming short-term personnel are not afflicted by any of the above pre-existing medical problems. If such problems exist, a full physical exam is required prior to departure for Bolivia.

Adjustment to the altitude usually requires only a few days. Personnel should, if at all possible, limit their physical activity for the first 36-48 hours after arrival in La Paz.

Infectious hepatitis, amoebic dysentery, bacillary dysentery, giardiasis, rabies, typhoid and cholera are endemic in Bolivia. Yellow fever and malaria are present in tropical areas of Bolivia. The usual sanitary precautions concerning food and water should be observed and all immunizations should be up to date prior to arrival in country. Yellow fever vaccine is required for all personnel traveling to tropical areas. Rabies pre-exposure prophylaxis (not the low-dose intradermal injections) is recommended for all personnel who plan to spend considerable time outdoors on foot. The Embassy Health Unit can advise personnel traveling to tropical areas concerning malaria

63

ATTACHMENT A
Page 10 of 10
PIO/T No. 511-0000.03-3-10160

prophylaxis on a case by case basis. The precautions and need for medication are determined by the duration of travel, the extent of exposure, and drug allergy history.

(7) Security

Currently Bolivia is a high security threat post due to terrorist incidents. It is a requirement that all visitors to post attend a security briefing in La Paz prepared by the Executive Office shortly after arrival, in order to become familiar with measures to reduce individual vulnerabilities and to know what to do in the event of an emergency.

64