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**A Review of the  
Prospects for  
Rural Financial  
Development in  
Bolivia**

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**GEMINI**

**GROWTH and EQUITY through MICROENTERPRISE INVESTMENTS and INSTITUTIONS  
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# **A Review of the Prospects for Rural Financial Institution Development in Bolivia**

by

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## **FOREWORD AND ACKNOWLEDGMENTS**

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## INTRODUCTION

This report summarizes the findings of an analysis of the opportunities for development of viable, self-sustaining institutions to meet the financial service needs of entrepreneurs in the rural areas of Bolivia.<sup>1</sup> Of particular interest is the potential replicability of key elements of the highly successful village banking system (Unit Desa) of the Bank Rakyat Indonesia (BRI).<sup>2</sup> The Unit Desa system is one of the few examples, worldwide, of a successful, profitable financial institution that makes small loans and serves small savers. The differences between Bolivia and Indonesia are enormous, but the principles of rural finance successfully demonstrated in the BRI Unit Desa System may have relevance far beyond the borders of the archipelago.

Although direct replication of the BRI Unit Desa system is not a viable option for Bolivia, considerable potential exists for stimulating the development of a more institutionally diverse rural financial landscape. Commercial banks, credit unions, and nongovernmental organizations (NGOs) can all expand services in rural Bolivia. The greatest growth potential is among commercial banks. USAID can play an important role in inducing financial institutions to move more rapidly into rural markets. The key ingredient of such a program is technical assistance, and not capital.

## CHARACTERISTICS OF SUCCESSFUL RURAL FINANCIAL INSTITUTIONS

The major banking services demanded in rural areas are savings and credit services. Of these two, it is likely that savings services will reach a larger number of people than will credit services, simply because a larger number of people have periodic surpluses of cash beyond their investment opportunities, must match irregular cash income with regular consumption requirements, or wish to build up financial reserves to meet unexpected expenses.

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<sup>1</sup> The scope of work for this assignment is contained in Annex 1.

<sup>2</sup> The BRI Unit Desa system offers savings services and nontargeted loans to a cross section of the rural Indonesian population through a network of 3,204 retail banking units. BRI has developed methodologies for making financial services available profitably to small savers and borrowers. As of November 1991, the BRI Unit Desa had 1.8 million loans outstanding totalling \$722 million with an average size of \$500, over 8.4 million savings accounts with total deposits of over \$1.2 billion and an average account value of \$120, and profitability of \$32 million for the year. Detailed descriptions of the Unit Desa program can be found in Richard H. Patten and Jay K. Rosengard, *Progress with Profits: The Development of Rural Banking in Indonesia*, International Center for Economic Growth and the Harvard Institute for International Development, ISC Press (San Francisco), 1991; and James J. Boomgard and Kenneth J. Angell, "Developing Financial Services for Microenterprise: an Evaluation of USAID Assistance to the BRI Unit Desa System in Indonesia," GEMINI Technical Report No. 6, Development Alternatives, Inc., Bethesda, Md., October 1990.

## **Savings Services**

Savings instruments designed to meet these needs should have these characteristics:

- **Safety** — The saver must be confident that the banking institution will still be in operation when the savings are required by the saver. The saver must be sure that the banking institution and its employees are honest and will return the savings when the saver needs them. The saver must be sure that the savings will be worth as much in real terms when they are returned as when they were put in the institution.
- **Convenience** — The office of the banking institution must be located close enough to the home or business of the saver to ensure that the transaction costs of saving are not excessive. The hours when the bank is open must fit with the normal marketing or other activities of the saver.
- **Unlimited Withdrawals** — The saver must be able to withdraw the savings at any time during the banking institution's regular office hours.

## **Credit Services**

The characteristics of credit services required by rural people are:

- **Availability** — The credit must be available for the enterprise of the borrower, rather than for a limited menu of enterprises chosen by the lender. If the borrower is a farmer, he should be able to borrow for the farming enterprise. If he is a trader, he should be able to borrow for the trading enterprise. Loan terms available should fit the cash flow of the borrower's enterprise. The loan decision must be timely. The loan funds must be available when the borrower has the investment opportunity. The borrower should be able to talk to the person who makes the decision on whether to approve the loan.
- **Dependability** — The borrower must know that the banking institution is stable and will continue to exist both during the repayment period and through additional loans. The borrower must be certain that new credit will be available if the previous loan is repaid on time.
- **Convenience** — The location at which the lending and repayment transactions take place should be convenient to the home or enterprise of the borrower to ensure low borrower transaction costs in transportation and time.
- **Simplicity** — The credit system and the necessary paperwork should be relatively simple so that both the borrower and the loan officer understand them.
- **Realistic Collateral Requirements** — The collateral requirements must be appropriate to the financial situation of the potential borrowers. Collateral is mainly

evidence of the serious intent of the borrower to pay, rather than a guarantee of the safety of the loan.

A financial institution that can provide these savings and credit services must be stable. The basic requirement for stability is that the institution's income from the banking operation must cover all costs of the banking operation. These costs include (1) the cost of funds raised as savings, (2) all cost of delivering savings and credit services (mainly the cost of labor), and (3) loan losses.

The reason for using the cost of savings in the calculation of costs, even though other sources of funds may be available, is that reliance on the government budget, central bank, or outside private or public donors for funding will mean that the financial institution will be subject to policies of these organizations that may not be relevant to the rural financial situation and are often detrimental to the health of the financial institution. The result is often a stop-go lending operation, which is the opposite of what the rural borrower requires, or interest rate policies that are not to the ultimate benefit of saver or borrower because they kill the financial institution and make both savings services and credit services unavailable.

Decisions on the location of offices for credit and savings transactions involve balancing the transaction costs for the borrower/saver, the transaction costs of the financial institution, the interest rate spread that can be charged, and the density of economic activity in the area. Placing the office closer to the customer decreases the customer's transaction costs but increases the financial institution's transaction costs and will usually necessitate a higher spread between savings and lending interest rates. Placing the office where there is relatively little economic activity will mean that the financial institution will not achieve a sufficiently large loan portfolio to break even.

A decision to limit credit to only one type of economic activity, say agriculture or industry, or only customers with a special characteristic, say poor people or women, cuts down on the potential number of customers in a given area and rules out many locations for provision of banking services. It results in less financial service being available even for the target group. The financial institution should be able to loan for any creditworthy enterprise in its service area.

Access to credit is more important to the rural borrower than is a low interest rate. Forcing the financial institution to loan at an interest rate below its cost will eventually cause the institution to close, leaving the rural borrower without access. "Cheap but unavailable" is as bad a policy for credit as it is for fertilizer, bread, or any other commodity or service.

In Bolivia, as in other countries, discussions of rural finance tend to focus almost exclusively on agriculture. Although agriculture is the dominant economic activity in rural areas, agricultural finance is often not the most appropriate starting point for developing viable rural financial institutions. Agriculture imposes serious burdens on lenders by subjecting them to uncontrollable risks and high operational costs. Moreover, an exclusive focus on agriculture effectively limits the potential size of the market, making commercial viability more difficult to achieve. A better starting point is to identify local markets capable of supporting viable financial intermediation, without concern for the nature of the enterprises of potential customers.

Following these principles in the development of rural financial institutions in Indonesia has resulted in the development of several viable institutions able to provide savings and credit services. This development has shown clearly that (1) low income rural people have a surprisingly large potential for saving and (2) there are many borrowers in the rural areas with creditworthy enterprises.

## **THE CHALLENGE OF DEVELOPING RURAL FINANCIAL INSTITUTIONS IN BOLIVIA**

This section highlights several characteristics of the current Bolivian economic situation that are particularly relevant to the development of rural financial services. It is our conclusion that although there are several significant barriers that complicate the process of building strong rural financial institutions, this may be an appropriate time to begin with the long and difficult task of pushing outward the frontier of financial services delivery.

**Dispersed Population.** Outside of four major urban centers, population densities in Bolivia are low. There are only 19 towns outside of the major cities with populations of more than 10 thousand persons. This makes it difficult, but not impossible, to achieve the critical mass of savers and borrowers necessary to support a viable financial institution. In this context, operational costs must be kept extremely low and the financial institution must develop efficient outreach services. The prevalence of one-day-per-week markets in small towns can be exploited to reach relatively large groups of economically active borrowers and savers.

**Shallow Rural Economy.** Credit facilitates rural development; it rarely initiates it. Thus credit is different than innovation in agricultural technology or construction of rural infrastructure, particularly rural roads that connect producers with reliable markets. Agricultural research, particularly in staple crops, has been slower in Bolivia than in other countries, including others in South America. Investment in rural infrastructure has also been below that which would be indicated by the potential returns to such investment. For a financial institution serving people in the rural areas, there will be fewer potentially creditworthy enterprises in the service area than there would have been had there been more public investment in agricultural research and extension and in rural infrastructure.

**Hyperinflation Trauma.** Bolivians are still in the process of overcoming the trauma of hyperinflation, in which savers lost their savings in financial institutions and financial institutions lost their capital unless they moved into real estate or commodities. Even the development of savings instruments in dollars or with maintenance of value provisions has not completely restored full trust in holding financial savings. The more recent collapse of financial institutions, including high-interest deposit-taking institutions, has probably slowed the return of savers to use of financial instruments to store savings. This is a problem that will be overcome only after more years of consistent government economic and financial policies that promote continued price stability.

**Retreat of Banks from Rural Areas.** In the process of rebuilding their capital and achieving profitability, the private banks see a need to cut overhead when possible. Some are therefore closing their smaller branches and agencies; the trend is resulting in a decrease of private bank services available to the people in the rural areas and small towns. Simultaneously, the government has decided to close the Banco Agrícola (BAB) and restrict the activities of the Banco del Estado (BANEST), the two state banks with the most widespread systems of branches, further restricting access to savings and credit services.

**Fragmentation of Financial Markets through Cheap Credit.** The Bolivian government has moved effectively to insulate the financial markets from fragmentation through the introduction of official foreign development credit passed to financial institutions at below-market interest rates. Such aid is now passed at the price established in the regular auction conducted by the Central Bank. This system, however, is not applied for loan funds provided through NGOs or through regional development corporations. Such funds appear to be substantial. Loaned at very low interest rates, they will have a serious effect on the ability of a rural financial institution to achieve the critical mass necessary to be financially viable.

### **CAN THE BRI UNIT DESA SYSTEM BE REPLICATED IN BOLIVIA?**

The Bank Rakyat Indonesia model, in which the four-person Units throughout the rural areas of the country are an integral part of a single nationwide bank, is not replicable in detail in Bolivia. The rural credit system that has been successful in Indonesia began with the 3,626 Unit Desa already in place, having been developed for the purpose of delivering subsidized agricultural credit on what turned out to be an unsustainable basis. Not only is there nothing comparable to the BRI Units available in Bolivia, there is no bank comparable to the BRI as it existed before the Units were developed. The critical question is whether, to achieve the rural banking results achieved in Indonesia, it is necessary to develop Unit-type banking offices and a new nationwide bank to supervise the Units, or whether the Units by themselves are sufficient.

The Unit Desa/BRI structure has three characteristics that are of key importance. All could be replicated without having to develop a new, single nationwide bank.

- **Operation as a separate profit center** — Each Unit Desa has a bookkeeping system that produces a monthly Profit and Loss Statement and a Balance Sheet. A Unit Desa Manager and his supervisors at the branch are able to observe the progress of the individual Unit Desa and make the management decisions necessary to correct problems. This characteristic could equally well be available in a rural Unit set up as an entirely separate entity, unconnected with any larger bank, or in a Unit under the control and supervision of an existing bank.
- **Supervision by bankers** — The immediate supervisors of a Unit Desa are bankers at a branch of BRI. The main supervisor is the Branch Manager. He has staff who are specialized in supervision of Unit Desa; most of them have been Unit Desa Managers. The skills required are general banking skills plus the special knowledge

of how the management of a small loan portfolio differs from management of a portfolio consisting of a small number of large loans. The necessary banking skills would be available in any bank that was supervising a rural unit. The specialized knowledge will in any case have to be developed. The supervising bank branches need not all be branches of a single bank.

- **Attachment to the nation's financial markets** — A BRI Unit Desa can automatically deposit an excess of savings in the supervising branch. A Unit Desa with inadequate savings to finance its loan portfolio has an open line of credit to draw resources from the supervising branch. The interest rate paid by the branch on Unit Desa deposits in the branch and the interest rate paid by the Unit Desa on credit from the branch are the same. This rate is set slightly higher than the interest rate paid by the Unit for savings.

With this system, the Unit staff are able to concentrate<sup>o</sup> their efforts on mobilizing savings and making loans to creditworthy borrowers, without regard to the balance between savings and credit in the Unit. This greatly simplifies the management decision making at the Unit level. Both the savings window and the loan window can be kept open at all times and the relationship between Unit and customers kept stable.

The connection of a rural Unit with the nation's financial markets could theoretically be made if the Unit were not actually part of a larger bank; it would be much more difficult, however, because it would require an interbank agreement between each Unit and the larger bank with which it would work. It would be better if the rural Unit were a part of the same bank as the branch in which it deposits money or from which it borrows. However, it is not necessary that all Units be connected to a single nationwide bank. Any number of banks could set up rural Units and connect them to the national financial markets. The balancing of resources and loan portfolios would take place in the interbank market.

We conclude that there is no need for all Units to be part of a single bank — only that each should be attached to a bank and thereby to the nation's financial markets. It is not worth the funds and the technical resources required to develop a single new nationwide bank with responsibility for supervising all small rural Units, particularly at a time when the government is involved in implementing the recent decision to close two of the three state banks and restrict the activities of the third. Minimum-size banking Units able to provide necessary savings and credit services in the rural areas can be developed more easily and quickly under the supervision of existing banks interested in developing them.<sup>3</sup>

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<sup>3</sup> A single hierarchical organizational structure has advantages, however. Uniformity and standardization may contribute to operational efficiency and reduce system-wide training costs. The effect of the organizational structure on innovation is less clear. A single structure may improve the communication and potential spread of innovations. At the same time, a large bureaucracy may retard the rate of innovation.

## **RUNNING THE NUMBERS: ARE RURAL FINANCIAL INSTITUTIONS FEASIBLE?**

One of the key differences between the BRI Unit Desa operation in Indonesia, and proposed rural/local branches or Units in Bolivia is population density in the bank service area. Annex 2 includes three tables that estimate the profitability of the Units under different assumptions. For this analysis, the Unit is expected to have only interest income and no fee income from nonloan sources (such as utility payments). Capitalization is assumed at \$25,000, which is judged sufficient for initial purchase of fixed assets, and approximately \$10,000 of loan funds, but will require rapid savings buildup for expanding the loans portfolio. At \$50,000 initial capitalization, excess capital could be used for loaning while savings is in the initial growth stage.

In the analysis in Annex 2, the three key variables are population, loan size, and interest rate. All other data is held constant. Interest on simple savings is assumed to be 8 percent, with a 20 percent reserve requirement. The tables list population of the bank service area; it is assumed that the bank service area is more than two times the population of the major market town in the area where the bank will be located. Therefore, a service area of 16,000 means that the major market town contains 8,000 persons. For the analysis, it was assumed that the bank can provide loans to 10 percent of households. The average household was assumed to contain 4.6 persons.

The feasibility of the Unit is closely related to loan size. As average loan size increases, the Unit becomes much more profitable. It is reasonable for loan size to grow over time, as good borrowers repay loans and request larger subsequent loans. From the projections, it is difficult for the Units to be profitable until loan size reaches at least \$500 unless interest rates or populations are substantially higher. As loan size reaches \$600 and above, Units sharply increase in profitability.

Related to interest rate, PRODEM charges an effective rate of 60 percent (in Bolivianos) on small loans, averaging \$150. Several credit unions charge 48 percent (in Bolivianos). Other credit unions charge considerably less, but do not include returns to capital, and do not currently have a reserve requirement. Interest rates must be higher in the new Units than in Units in urban areas, but they also must be attractive to borrowers. Ordinarily, the smaller the loan, the higher the interest rate.

The table below demonstrates break-even interest rates under conditions of different population sizes and different average loan sizes. If a minimum-sized market center town of 8,000 persons is selected, 35 towns in Bolivia could support rural banking Units with average loan sizes of \$500, and an interest rate of 45 percent. (Considerable data — most unanalyzed in this report — on the financial demography in Bolivia is presented in Annex 4.)

## BREAK-EVEN INTEREST RATES UNDER DIFFERING CONDITIONS

Population of Area Served Required	Population of Major Market Town	Break-Even Interest Rate		
		Average \$300	Loan \$500	Size \$600
8,000	4,000	115 %	74 %	64 %
10,000	5,000	95 %	67 %	54 %
12,000	6,000	80 %	54 %	48 %
14,000	7,500	75 %	49 %	43 %
16,000	8,000	70 %	45 %	40 %
18,000	9,000	60 %	41 %	37 %

## ASSESSMENT OF ALTERNATIVE INSTITUTIONS FOR EXPANDING THE REACH OF RURAL FINANCIAL SERVICES

Our view is that it not necessary to develop a unified organizational structure to provide rural financial services in Bolivia. Rather, expansion of existing institutions into new areas offers the best evolutionary strategy for extending the reach of financial services. While preparing this report, the team visited several different types of institutions — credit unions, savings and loans, nongovernment organizations, and commercial banks — and spoke to individuals about a wide range of potential options. This section summarizes the findings of these interviews.

### Credit Unions

Credit unions are currently the most significant provider of rural financial services in Bolivia. By virtue of their institutional culture, they tend to serve middle to lower socioeconomic segments of the market and are widespread in rural areas of the country. As in other countries, the capacity and performance of credit unions vary widely. Although credit unions will undoubtedly continue to meet a significant portion of the demand for financial services in local markets, they are most likely to occupy a limited but important market niche over the long run.

USAID/Bolivia's approach to strengthening credit unions appears to be justified, reasonable, and appropriate. Supporting credit unions to become stronger financial institutions and insisting on formal supervision are important elements in enhancing their long-term viability. Shedding real assets accumulated during hyperinflation and rationalizing provision of nonfinancial services can contribute to improved financial performance and greater institutional focus. FENACRE, the federation of credit unions, can play a vital role in the development and

supervision of the credit union system, and efforts to enhance its efficiency while increasing its effectiveness are welcomed. We also strongly endorse any movement in the direction of untying USAID's line of credit to the credit union system from microenterprises to more general purposes.

Increasing the integration of credit unions into the financial system should be kept a high priority:

- FENACRE's central liquidity functions are important and early movement on this issue should be encouraged.
- In addition, credit unions should be encouraged to develop linkages with commercial banks. This can help serve short-term and even longer-term liquidity needs, and provide local deposit facilities, thus helping integrate the credit unions into the financial markets.

The effectiveness of rural financial institutions is closely tied to the appropriateness of their financial instruments. Some credit unions are moving to increase the flexibility of their lending instruments by adopting more flexible loan collateral, including increasing the leverage of the savings guarantee fund. Similarly, some credit unions are aggressively pursuing deposits for the sake of deposits, rather than deposits only to secure a loan. Variation on these matters is substantial, and rural credit unions are considerably behind their urban counterparts in developing progressive financial instruments.

The credit union system may benefit from additional external technical assistance. Priority areas would include improving FENACRE's capacity to provide technical assistance, in addition to training; improving FENACRE's ability to provide supervision as distinct from annual audits; and accelerating the development of the financial intermediation capacity of FENACRE.

USAID should continue to search for ways to support innovation in credit unions. This will undoubtedly mean continuing current efforts, but also may involve direct transfer of know-how from stronger credit unions to weaker credit unions; assigning teams of management and bookkeeping experts to individual credit unions on an extended (for example, six-month) basis; building stronger linkages between the credit unions and local commercial banks; and developing model credit unions.

### **Nongovernmental Organizations**

NGOs are active providers of lending services in rural Bolivia. Some NGOs have been extremely innovative in developing credit systems to reach low income people in both the urban and rural areas. This innovation is an important, dynamic element in the development of rural financial institutions and markets.

Some of these NGO systems have been developed with the intent that their credit funds revolve. The interest rates of these systems have, therefore, been set high enough to cover projected loan risk and, in some cases, full administrative costs. Even this pricing strategy, however, may retard the establishment of banks able to sustain savings and credit services over the long term. If NGOs engaging in credit operations were persuaded to set interest rates at a level necessary to cover the cost of resources raised as savings, full administrative costs, and loan risk, their efforts would help their clients in the short term, and also help lead to development of rural financial institutions capable of sustaining access to credit and savings services for NGO clients and the rest of the community. PRODEM is an example of an NGO that has deliberately developed its credit system as a model for use by a financially viable bank, able to gather savings as the main source of loanable funds.

The NGO innovations will necessarily be on credit and not on savings, because they are not permitted by law to mobilize savings. (We exclude the "forced savings" component in many NGO programs because forced savings are really counter deposits that raise the effective interest rate charged on loans, and are not savings by people.) If a private bank could be persuaded to set up a savings office side by side with a NGO-sponsored credit office, the two major banking services required would be available. After the credit operations were seen to be viable, the bank might begin to loan funds to the NGO at interbank rates for on-lending. Later yet, the private bank might be persuaded of the financial viability of a bank mobilizing both savings and lending, using the techniques developed by the NGO. At this point the bank might buy the assets of the NGO-sponsored credit system.

### **Commercial Banks**

Commercial Bank participation in local financial markets is essential, over the long run, for effective integration of local markets with the national financial system. Over the past few years, however, the trend has been for commercial banks to withdraw from the rural areas. This trend further reduces rural financial integration.

Commercial banks are unlikely to enter local financial markets without demonstrated examples of successful, profitable market penetration. Although outsiders may be able to convince themselves of the potential feasibility of rural banking, bankers will require concrete evidence of success to overcome their inherent and justifiable conservatism. If successful, Banco Sol may provide some evidence of the potential commercial viability of serving local markets, but the uniqueness of Banco Sol may cause its success to be discounted by a more traditional commercial bank and may not immediately stimulate the movement of other banks into rural areas.

Several factors deter commercial banks from entering rural markets:

- **Pricing Practices.** Lessons learned in Indonesia and other countries demonstrate that rural financial services must be designed and priced differently from services offered in urban markets. Administrative cost per deposit or loan account is higher in local markets because of the smaller account size and because of the less-well-developed

infrastructure (for example, bad roads mean vehicles depreciate faster and it takes more labor time to visit clients). This means prices for loans must be higher. Interest paid on savings may also have to be lower. The location of the bank office in the small town reduces the transaction costs of the saver and borrower, but increases the transaction costs of the bank. Even with the higher interest rates on loans necessary to cover bank transaction costs, the total cost to the borrower is usually reduced. However, banks are reluctant to charge differential interest rates because of political pressures that mount against loaning to smaller borrowers at higher interest rates. Their choice is often to give no credit or savings services outside urban areas.

- **Inappropriate Overhead and Operations Costs.** Commercial banks find it difficult to overcome the "marble-floor mentality" that tends to overestimate the costs of doing business in local markets. Even with increased pricing for products, administrative and overhead costs must be kept as low as possible by using simple buildings, keeping salary structures lower than urban areas, and designing simple forms and procedures.
- **Traditional Practices.** Many commercial bank owners are not interested in small loans, but only in large loans to the bank's affiliated business groups.

The basic characteristics of rural banking Units are:

- Smaller loan size;
- Loans are given to any viable enterprise, and most likely most loans are for enterprises with a more regular cash flow than agricultural production;
- Higher loan interest rate;
- More loans handled per Unit and per loan officer;
- Different forms of loan guarantees;
- Smaller savings accounts;
- Lower interest paid on savings;
- Possible use of mobile teams because of dispersion of bank's clients;
- Simple buildings and administrative procedures; and
- Lower salaries than in urban areas.

**Potential institutional options for commercial bank operations in local markets:**

- **Linking commercial banks with NGOs.** This model already exists with the Banco Sol-PRODEM linkage. A second model for commercial bank-NGO linkage may be through the provision of savings services for successful NGO lending programs.
- **Commercial bank branches (or agencies) in rural areas operating with new local products and services.** Branches and agencies do not currently offer services that are different from the head offices in the urban towns, although agencies apparently exist to service large clients of the urban banks that operate in rural areas (for example, agroindustrial corporations). These agencies also sometimes encourage local deposit mobilization, although indications are that a good deal more could be done in this area. They rarely offer small loans to the local community. However, several bankers thought that such Units or branches are feasible, and that some commercial banks may be interested in experimenting with small rural branches — either through the redesign of existing branches or agencies, or through the opening of new branches. Some of the commercial banks that may be interested include Banco Santa Cruz, Banco Hipotecario Nacional, Banco Nacional, Banco Popular de Peru, and BIDESA.
- **Building a new model Rural Banking Corporation.** This would be an independent corporation with required minimum capitalization by a commercial bank, or operated as a subsidiary company wholly owned by a commercial bank. This model is exactly the same as described above (local commercial bank branch with different operating characteristics). However, some persons interviewed believed that to create an organization that responds truly to local needs, it should be partially owned by local investors. Commercial banks may also be more receptive to independent, wholly owned subsidiary corporations, as opposed to new banking structures, because they could carry different names and operating characteristics.

Creating new independent corporations for rural units is currently not feasible under Bolivian law, because of capital requirements. The minimum capital requirement is \$1,000,000 for a Casa Bancaria in the three most populous departments. Rural units do not require such capitalization (it is estimated that \$25,000-\$75,000 would be sufficient). We discussed with ASOBAN, the bankers' association, the possibility of creating units with small capitalization that were partially owned by rural banks, and also discussed with the Superintendencia the idea of rural bank subsidiary corporations wholly owned by commercial banks. Both ideas would not be feasible under current banking regulations, and would require an article in the banking law to allow such Units, or approval from the Superintendencia on a trial basis.

Several commercial banks apparently could be induced into pilot experiments in setting up such rural units provided that they were convinced of the project's potential feasibility; and initial outside assistance was offered, such as providing equipment (computers, motorcycles, and so forth), support for overhead costs, and specialized technical assistance.

A short pilot study, as part of a new project, would be useful to study current commercial bank branching and agent activity in rural areas. Detailed discussions could result in useful information on why many commercial bank branches and agencies in rural areas have not worked, and whether there would be substantiated potential for designing new instruments and services that would allow such rural Units to become profitable.

It was emphasized to us that the establishment of a new Rural Banking Corporation will require a change in the banking law. Because new legislation is in the draft stage, a new article would ideally be introduced immediately. ASOBAN believes that such a change can be accomplished and indicated that it would be willing to assist in the legislative process. USAID should examine the possibility of immediately forming a small team to work with ASOBAN and examine this idea further.

### **POSSIBLE NEXT STEPS: EXPERIMENTS IN RURAL FINANCIAL INSTITUTIONS DEVELOPMENT**

Considerable uncertainty remains surrounding the potential for accelerating the development of rural financial institutions in Bolivia. There are signs of genuine interest and some movement forward in the institutional variants discussed in the previous section, but there are also significant constraints slowing the expansion of local financial services. The most important barriers are:

- Uncertainty concerning the feasibility of profitably providing financial services to small savers and borrowers;
- The perceived high cost and high risk of rural lending;
- The perceived low saving potential of small savers;
- Attitudes discouraging differentiated instrument pricing, even in the face of widely different cost structures;
- Fears of competition from subsidized lenders; and
- High start-up costs resulting from the absence of tested operational structures and methodologies.

Given that these constraints are largely the result of limited information, uncertainty, and high start-up costs, it may be possible to overcome these barriers and accelerate the development of rural financial services through a well-conceived and managed outside intervention. By underwriting a portion of the cost and risk of ventures in rural finance, USAID may be able to encourage experimentation and, later, support larger-scale forays into the provision of rural financial services. It is our view that in the absence of concrete experimentation, it will be

difficult to verify the potential feasibility of accelerating the development of rural financial institutions. This approach is based on the assumption that by reducing risk, lowering start-up costs, increasing information, and solving particular technical constraints, USAID can catalyze the development of private, market-sustainable rural financial services.

### **Elements of a Project**

The proposed project — Experiments in Rural Financial Institutions Development (ERFID) — would involve two phases.

- Phase I would initiate and track a limited number of experimental pilot initiatives in local financial services with as many institutional models as feasible. A project management unit armed with a pot of resources and considerable flexibility would negotiate deals with interested organizations to induce their participation in the pilot projects. ERFID would be able to provide technical assistance and training, as well as cover operating costs and underwrite risk.
- Phase II would reinforce the expansion of successful Phase I experiments. The inputs at this stage would most likely emphasize technical assistance and training, but might also include the development of larger support projects at the program, regulatory, or policy level.

The most difficult question for Phase I is the type of incentives that are employed to persuade banks or other institutions to test the waters. Considerable attention should be paid to this issue because many rural credit projects have failed to build strong institutions because of inappropriate incentives. The principle involved is start-up costs versus long-term subsidies. As long as the project restricts its efforts to helping to meet start-up costs, the program may have a chance for long-term success.

Phase II would try to support the development of the "industry" as opposed to the individual financial institutions. The key issues that will need to be addressed at this stage will emerge during the course of Phase I. USAID/Jakarta is just beginning to address the design of a new project at this level.

### **Implementation Issues**

1. This is a high-risk endeavor from USAID's perspective. There is some probability that absolutely nothing would come from this. In two to three years the whole thing might disappear.
2. To launch a potentially long process of successful institutional development, the effort must be sustained. In Indonesia the seeds took 10 years or more to produce flowers. The level of resources may not necessarily be large, but the willingness to stay with the program must be evident.

3. There is still room in Bolivia for continuing education in financial services. It might pay dividends to run a seminar series, or sponsor regional conferences to expose policy makers, politicians, implementors, and others to some of the better spokespersons for this approach. It may also be possible to support local "believers" to insert articles for publication in the newspapers on a regular basis that explain things like high interest rates. This could be a separate activity under a new project.

**ANNEX 1**  
**SCOPE OF WORK**

ATTACHMENTSTATEMENT OF WORK  
RURAL FINANCIAL SERVICES PRE-FEASIBILITY STUDYI. OBJECTIVES

To provide a preliminary assessment of the feasibility of developing a financial institution serving the general population in rural Bolivia, along the lines of the Bank Rakyat Indonesia's (BRI's) Unit Desa System. If indications of feasibility are positive, to lay out a plan for developing such an institution with A.I.D. support.

II. BACKGROUND

USAID/Bolivia's 1990 Action Plan included a New Project Description for a \$10 million follow-on to the Micro and Small Enterprise Development project. The idea was to continue support to the three principal local institutions for another 5 years after the 1983 PACD. In early 1991, the new management of the Trade and Investment Office conducted a careful review of the current project's various components and determined that an extension might not be necessary. The successful microenterprise lending component of the project, PRODEM, was in the process of transforming itself into a for-profit microenterprise bank; the Federación Boliviana de la Pequeña Industria (FEBOPi) had been strengthened largely as a result of project support and would probably not require substantial additional USAID support; and, the Federación Nacional de Cooperativas de Ahorro y Crédito (FENACRE) and its affiliated credit unions were already receiving more than enough credit funds from USAID and the GOB, and increasing this assistance was regarded as neither necessary nor desirable.

Given this assessment, the Trade and Investment Office decided to hold a Microenterprise Brainstorming Workshop in order to generate ideas for a possible new microenterprise project. Four internationally recognized microenterprise experts associated with the centrally-funded Growth and Equity Through Microenterprise Investments and Institutions (GEMINI) project were invited to participate as well as a well-known savings mobilization expert. Four staff members from the Mission also joined the group in a week long effort.

At the June 1991 workshop, numerous possible project ideas were discussed, including the possibility of extending the current Micro and Small Enterprise Development project. Of these ideas, the group selected what seemed most promising: the development of a rural financial services project. There were several reasons for this selection. First, the closing of the Banco Agrícola and other state banks was leaving a vacuum in the already underserved rural areas. Second, there was a successful rural savings bank in Indonesia which could serve as a model for a rural program in Bolivia. Third, if such a rural bank were established on a solid and profitable footing it could contribute to one of the goals of the USAID Mission—the strengthening of the financial system.

The potential model, the Bank Rakyat Indonesia, was perhaps the most successful "microenterprise" rural bank in the world. The BRI village units system offered savings services and short term, essentially character-based and non-targeted loans to a cross-section of the population in rural Indonesia. BRI had developed methodologies for making such services available on a commercially viable basis and these savings and loan products were well adapted to the needs of the population. It had also developed a system of small, uniform retail outlets operating as profit centers and supervised by a strong central organization. The combination of well-crafted products and a well-managed organizational structure had resulted in a program that generated a profit for the BRI while serving several million people.

Realizing that a model cannot be transferred in its entirety to a country with different socio-economic, political, cultural and geographic conditions, the group recommended that a feasibility study be conducted to determine whether or not the Mission should proceed with a project of this nature. The group, by overwhelming consensus, also recommended that Mr. Richard Patten, principal advisor to the BRI, lead this feasibility effort.

### III. SCOPE OF WORK

- A. Assess the local institutional capacity (including staff capacity) of institutions serving rural Bolivia, including the Banco del Estado and possibly what remains of the closed Banco Agrícola.
- B. Assess the potential market demand for both savings and loan services in rural Bolivia, examining potential market size and density, as well as market preferences regarding features of financial services.
- C. Briefly review the current status of the financial sector and its regulation and supervision in Bolivia.
- D. If the results of initial assessments are reasonably positive, lay out a plan for developing a rural financial institution, covering such issues as:
  - 1 Whether to build on existing institutions or to start a new.
  - 2 What services to offer.
  - 3 Organizational structure and management.
  - 4 Levels of costs and performance required to break even.
  - 5 Actions required for start-up, with estimate of time, sequence and funds required.
  - 6 Role of various parties in start-up, such as A.I.D., Government of Bolivia, others.
  - 7 Potential risks, and factors that would make or break the decision to proceed.

E. Discuss these recommendations with USAID/Bolivia and selected Government of Bolivia representatives before departure.

#### IV. DELIVERABLES

The team will provide USAID/Bolivia with a concise report on the feasibility of developing a rural financial services project. This report will be presented to the Mission no later than two weeks after departure from Bolivia.

The team will make a presentation to the USAID/Bolivia Mission on its findings prior to departure from Bolivia.

#### V. PERSONNEL REQUIRED

A. Two senior financial advisors: Mr. Richard Patten and Mr. James Kern. These two individuals are considered "key personnel" and cannot be replaced without USAID/Bolivia concurrence.

B. Senior enterprise development specialist, with knowledge of the A.I.D. project development process. Mr. James Boomgard, Project Director of the GEMINI project is recommended.

C. Spanish speaking financial institutions analyst with knowledge of Bolivian financial system and institutions. (To be identified.)

#### VI. LEVEL OF EFFORT

Three weeks of field effort (18 days considering a six day work week) for each team member, plus 2 days travel time for Mrs. Patten, Kern and Boomgard, and three days of effort after the visit to finalize the report for Mrs. Patten and Boomgard.

#### VII. ILLUSTRATIVE BUDGET

An illustrative budget is attached.

#### VII. CONTRACTING PERIOD AND START DATE

Work in the field will commence on or around January 6, 1992 and will continue through January 25, 1992. The contract will extend over a four to five week period.

#### VIII. DISBURSEMENT ARRANGEMENTS

One third of the contract amount will be withheld until USAID/Bolivia reviews the final report and provides administrative approval for the final payment.

#### IX. LOCATION OF SERVICES

Approximately half of the time in the field will be spent in La Paz and the other half in smaller cities and towns.

**ANNEX 2**

**BREAK-EVEN CALCULATIONS FOR NEW RURAL/LOCAL UNITS**

## ANNEX 2

### BREAK-EVEN CALCULATIONS FOR NEW RURAL/LOCAL UNITS

Three tables are included in this section in order to analyze the profitability of local units under varying conditions. The major variables in these projections are described below:

**PROJECTIONS OF OUTSTANDING** — These projections are based on populations of the area served, and loan coverage. Populations of the area serviced by the bank are higher than the population of the major market town in the area. More complete analysis should be conducted, but a conservative estimate is that the market town is half or less the size of the market area (bank service area). There were estimated 4.6 persons per household in order to get the number of households. Loan coverage is estimated at 1:10, or every tenth household has a loan from the bank. The average loan was assumed to be for 12 months, with the average loan outstanding assumed at one-half the average loan made.

Regarding loan size, it was assumed that the smallest average loan made would be \$300.00. In fact PRODEM makes smaller loans (averaging \$150). This small a loan on average was not considered. If such a small loan is considered, the interest rate must be much higher. In general, at interest rates used in the analysis, loan size must be \$500 to be profitable. As loan size increases beyond this, the units become more profitable.

**YEARLY INCOME FROM INTEREST** — This is dependent on interest rate.

**LABOR COST AND OTHER OVERHEAD** — The figures used were a result of interviews with banks and credit unions, and the experience of local consultants. It was assumed that three persons is the minimum size of a single unit.

**EXPENSE FOR LOAN LOSS RESERVE** — This is assumed at 5 percent of loans outstanding.

**RETURNS TO CAPITAL** — It was assumed that \$25,000 would be minimum sufficient capital to begin the unit. This would allow for the purchase of the operating assets (motorbikes, computer), initial rent and salaries, and about \$10,000 of initial loan capital. It will take some time to build up savings, so that if no outside initial loan capital is available, additional capitalization can be considered.

**INTEREST EXPENSE** — Average cost of loanable funds is equivalent to the Rate of average rate of interest paid on savings (assumed at 8 percent) divided by one minus the =Reserve Requirement (assumed at 20 percent which is the reserve requirement on demand deposits).

**ESTIMATED PROFIT (LOSS) — Derived from all other categories.****SUMMARIES OF THE TABLES**

Table 1 analyzes the profitability of the unit over time. Some of the major assumptions are: (a) constant dollars; (b) population of service area of 14,000 (which means market town may be approximately 7,000). This population area grows 1.5 percent per year; (c) 42 percent interest rate; (d) beginning loan size is \$500.00, and loan size grows at 10 percent per year. Under the above assumptions, the unit will break-even at the end of the third year, when the average loan size is \$605.00, and the population is 14,400.

Table 2 analyzes the effect of differing loan sizes and interest rates in a bank service area of 14,000 persons. This demonstrates that the unit must have an interest rate of 48 percent if the average loan size is \$500, and an interest rate of 45 percent if the average loan size is \$600.

Table 3 analyzes the effect of different population sizes of the banking area on interest rates assuming an average loan size of \$600.00. This demonstrates that if the bank service area is 7,000 persons, the break-even interest rate is 71 percent, while if the bank service area contains 18,000 persons, the interest rate required to break even is 37 percent.

PROJECTION OF OUTSTANDING	YEAR 1	YEAR 2	YEAR 3	YEAR 4	YEAR 5	YEAR 6	YEAR 7	YEAR 8	YEAR 9	YEAR 10
ESTIMATED POPULATION OF AREA SERVED	14000	14210	14423	14639	14859	15082	15308	15538	15771	16008
ESTIMATED HEADS OF HOUSEHOLDS (4.6/FAMILY)	3043	3089	3135	3182	3230	3279	3328	3378	3428	3480
ESTIMATED LOAN COVERAGE (LOANS:HEADS HSHLD)	1:10	1:10	1:10	1:10	1:9	1:9	1:9	1:8	1:8	1:8
ESTIMATED NO. LOANS OUTSTANDING	304	309	314	318	359	364	370	422	429	435
ESTIMATED LOAN SIZE	\$500.00	\$550.00	\$605.00	\$665.50	\$732.05	\$805.26	\$885.78	\$974.36	\$1,071.79	\$1,178.97
ESTIMATED LOAN TERM (MONTHS)	12	12	12	12	12	12	12	12	12	12
ESTIMATED INDIVIDUAL LOAN OUTSTANDING	\$250.00	\$275.00	\$302.50	\$332.75	\$366.03	\$402.63	\$442.89	\$487.18	\$535.90	\$589.49
ESTIMATED TOTAL LOANS OUTSTANDING	\$76,000.00	\$84,975.00	\$94,985.00	\$105,814.50	\$131,402.98	\$146,556.41	\$163,869.39	\$205,589.65	\$229,899.90	\$256,426.81
YEARLY INCOME FROM INTEREST	\$31,920.00	\$35,689.50	\$39,893.70	\$44,442.09	\$55,189.25	\$61,553.69	\$68,825.14	\$86,347.65	\$96,557.96	\$107,699.26
ASSUMED INTEREST RATE	42%	42%	42%	42%	42%	42%	42%	42%	42%	42%
=====										
LABOR COST (ASSUME TOTAL BENEFIT = SALARY x 1.37)										
NO. EMPLOYEES PER UNIT	3	3	3	3	3	3	3	3	3	3
MANAGER: TOT.BEN.(SALARY \$300/MO)	4932	4932	4932	4932	4932	4932	4932	4932	4932	4932
FIELD OFFICER: TOT.BEN.(SALARY \$200/MO)	3288	3288	3288	3288	3288	3288	3288	3288	3288	3288
BOOKKEEPER/CASHIER: TOT.BEN.(SALARY \$150/MO)	2466	2466	2466	2466	2466	2466	2466	2466	2466	2466
SUPERVISION (1 DA/WK x \$30/DAY x 52)	1560	1560	1560	1560	1560	1560	1560	1560	1560	1560
TRAINING/UNIT	1200	1200	1200	1200	1200	1200	1200	1200	1200	1200
(2 WKS/YR x 3 EMPLOY x \$200/WK)										
TOTAL LABOR COST PER UNIT	\$13,446.00	\$13,446.00	\$13,446.00	\$13,446.00	\$13,446.00	\$13,446.00	\$13,446.00	\$13,446.00	\$13,446.00	\$13,446.00
=====										
OTHER OVERHEAD										
BLDG. RENTAL (\$150/MO)	1800	1800	1600	1800	1800	1800	1800	1800	1800	1800
UTILITIES/UNIT (\$60/MO)	720	720	720	720	720	720	720	720	720	720
TRANSPORT TO BIGGER TOWNS	624	624	624	624	624	624	624	624	624	624
(3 TRIPS/WK x \$ 4/TRIP x 52 WKS)										
MOTORBIKE DEPRECIATION	2333	2333	2333	2333	2333	2333	2333	2333	2333	2333
(\$3500/36 MO x 12 MOS. x 2 MOTORBIKES)										
GASOLINE & MAINTENANCE	826	826	826	826	826	826	826	826	826	826
(40 L/MO x \$.47/L x 12 MO)+(50/MO x 12 MO)										
EQUIPMENT DEPRECIATION (\$4000/24 MOS)	167	167	167	167	167	167	167	167	167	167
TOTAL OTHER OVERHEAD	\$6,303.00	\$6,303.00	\$6,303.00	\$6,303.00	\$6,303.00	\$6,303.00	\$6,303.00	\$6,303.00	\$6,303.00	\$6,303.00
=====										
EXPENSE FOR LOAN LOSS RESERVE										
5% OF LOANS OUTSTANDING	\$3,800.00	\$4,248.75	\$4,749.25	\$5,290.73	\$6,570.15	\$7,327.82	\$8,193.47	\$10,279.48	\$11,494.99	\$12,821.34
=====										
RETURNS TO CAPITAL										
LOANS: EQUITY RATIO	3.0	3.4	3.8	4.2	5.3	5.9	6.6	8.2	9.2	10.3
EQUITY INVESTMENT	\$25,000.00	\$25,000.00	\$25,000.00	\$25,000.00	\$25,000.00	\$25,000.00	\$25,000.00	\$25,000.00	\$25,000.00	\$25,000.00
RETURN TO EQUITY (%)	20%	20%	20%	20%	20%	20%	20%	20%	20%	20%
RETURN TO EQUITY (\$)	\$5,000.00	\$5,000.00	\$5,000.00	\$5,000.00	\$5,000.00	\$5,000.00	\$5,000.00	\$5,000.00	\$5,000.00	\$5,000.00
=====										
INTEREST EXPENSE										
AVERAGE COST OF LOANABLE FUNDS (%)*	10%	10%	10%	10%	10%	10%	10%	10%	10%	10%
(including 20% reserve requirement)										
AVERAGE COST OF LOANABLE FUNDS (\$)	\$7,600.00	\$8,497.50	\$9,498.50	\$10,581.45	\$13,140.30	\$14,655.64	\$16,386.94	\$20,558.97	\$22,989.99	\$25,642.68
=====										
ESTIMATED PROFIT (LOSS)	(\$4,229.00)	(\$1,805.75)	\$896.95	\$3,820.91	\$10,729.80	\$14,821.23	\$19,495.74	\$30,760.21	\$37,323.97	\$44,486.24
=====										

NOTES: Loan ratio increases from 1:10 to 1:8 over time and loan size increases 10%/year.

\* assumes 8% interest paid on simple savings.

PROJECTION OF OUTSTANDING

ESTIMATED POPULATION OF AREA SERVED	14000	14000	14000	14000	14000	14000	14000	14000	14000	14000	14000	14000	14000
ESTIMATED HEADS OF HOUSEHOLDS (4.6/FAMILY)	3043	3043	3043	3043	3043	3043	3043	3043	3043	3043	3043	3043	3043
ESTIMATED LOAN COVERAGE (LOANS:HEADS HSHLD)	1:10	1:10	1:10	1:10	1:10	1:10	1:10	1:10	1:10	1:10	1:10	1:10	1:10
ESTIMATED NO. LOANS OUTSTANDING	304	304	304	304	304	304	304	304	304	304	304	304	304
ESTIMATED LOAN SIZE	\$300.00	\$400.00	\$500.00	\$600.00	\$300.00	\$400.00	\$500.00	\$550.00	\$300.00	\$400.00	\$500.00	\$600.00	\$600.00
ESTIMATED LOAN TERM (MONTHS)	12	12	12	12	12	12	12	12	12	12	12	12	12
ESTIMATED INDIVIDUAL LOAN OUTSTANDING	\$150.00	\$200.00	\$250.00	\$300.00	\$150.00	\$200.00	\$250.00	\$275.00	\$150.00	\$200.00	\$250.00	\$300.00	\$300.00
ESTIMATED TOTAL LOANS OUTSTANDING	\$45,600.00	\$60,800.00	\$76,000.00	\$91,200.00	\$45,600.00	\$60,800.00	\$76,000.00	\$83,600.00	\$45,600.00	\$60,800.00	\$76,000.00	\$91,200.00	\$91,200.00
YEARLY INCOME FROM INTEREST	\$19,152.00	\$25,536.00	\$31,920.00	\$38,304.00	\$20,520.00	\$27,360.00	\$34,200.00	\$37,620.00	\$21,888.00	\$29,184.00	\$36,480.00	\$43,776.00	\$43,776.00
ASSUMED INTEREST RATE	42%	42%	42%	42%	45%	45%	45%	45%	48%	48%	48%	48%	48%
LABOR COST (ASSUME TOTAL BENEFIT = SALARY x 1.37)													
NO. EMPLOYEES PER UNIT	3	3	3	3	3	3	3	3	3	3	3	3	3
MANAGER: TOT.BEN.(SALARY \$300/MO)	4932	4932	4932	4932	4932	4932	4932	4932	4932	4932	4932	4932	4932
FIELD OFFICER: TOT.BEN.(SALARY \$200/MO)	3288	3288	3288	3288	3288	3288	3288	3288	3288	3288	3288	3288	3288
BOOKKEEPER/CASHIER: TOT.BEN.(SALARY \$150/MO)	2466	2466	2466	2466	2466	2466	2466	2466	2466	2466	2466	2466	2466
SUPERVISION (1 DA/WK x \$30/DAY x 52)	1560	1560	1560	1560	1560	1560	1560	1560	1560	1560	1560	1560	1560
TRAINING/UNIT	1200	1200	1200	1200	1200	1200	1200	1200	1200	1200	1200	1200	1200
(2 WKS/YR x 3 EMPLOY x \$200/WK)													
TOTAL LABOR COST PER UNIT	\$13,446.00	\$13,446.00	\$13,446.00	\$13,446.00	\$13,446.00	\$13,446.00	\$13,446.00	\$13,446.00	\$13,446.00	\$13,446.00	\$13,446.00	\$13,446.00	\$13,446.00
OTHER OVERHEAD													
BLDG. RENTAL (\$150/MO)	1800	1800	1800	1800	1800	1800	1800	1800	1800	1800	1800	1800	1800
UTILITIES/UNIT (\$60/MO)	720	720	720	720	720	720	720	720	720	720	720	720	720
TRANSPORT TO BIGGER TOWNS	624	624	624	624	624	624	624	624	624	624	624	624	624
(3 TRIPS/WK x \$ 4/TRIP x 52 WKS)													
MOTORBIKE DEPRECIATION	2333	2333	2333	2333	2333	2333	2333	2333	2333	2333	2333	2333	2333
(\$3500/36 MO x 12 MOS. x 2 MOTORBIKES)													
GASOLINE & MAINTENANCE	826	826	826	826	826	826	826	826	826	826	826	826	826
(40 L/MO x \$.47/L x 12 MO)+(50/MO x 12 MO)													
EQUIPMENT DEPRECIATION (\$4000/24 MOS)	167	167	167	167	167	167	167	167	167	167	167	167	167
TOTAL OTHER OVERHEAD	\$6,303.00	\$6,303.00	\$6,303.00	\$6,303.00	\$6,303.00	\$6,303.00	\$6,303.00	\$6,303.00	\$6,303.00	\$6,303.00	\$6,303.00	\$6,303.00	\$6,303.00
EXPENSE FOR LOAN LOSS RESERVE													
5% OF LOANS OUTSTANDING	\$2,280.00	\$3,040.00	\$3,800.00	\$4,560.00	\$2,280.00	\$3,040.00	\$3,800.00	\$4,180.00	\$2,280.00	\$3,040.00	\$3,800.00	\$4,560.00	\$4,560.00
RETURNS TO CAPITAL													
LOANS:EQ'ITY RATIO	1.8	2.4	3.0	3.6	1.8	2.4	3.0	3.3	1.8	2.4	3.0	3.6	3.6
EQUITY INVESTMENT	\$25,000.00	\$25,000.00	\$25,000.00	\$25,000.00	\$25,000.00	\$25,000.00	\$25,000.00	\$25,000.00	\$25,000.00	\$25,000.00	\$25,000.00	\$25,000.00	\$25,000.00
RETURN TO EQUITY (%)	20%	20%	20%	20%	20%	20%	20%	20%	20%	20%	20%	20%	20%
RETURN TO EQUITY (\$)	\$5,000.00	\$5,000.00	\$5,000.00	\$5,000.00	\$5,000.00	\$5,000.00	\$5,000.00	\$5,000.00	\$5,000.00	\$5,000.00	\$5,000.00	\$5,000.00	\$5,000.00
INTEREST EXPENSE													
AVERAGE COST OF LOANABLE FUNDS (%)*	10%	10%	10%	10%	10%	10%	10%	10%	10%	10%	10%	10%	10%
(including 20% reserve requirement)													
AVERAGE COST OF LOANABLE FUNDS (\$)	\$4,560.00	\$6,080.00	\$7,600.00	\$9,120.00	\$4,560.00	\$6,080.00	\$7,600.00	\$8,360.00	\$4,560.00	\$6,080.00	\$7,600.00	\$9,120.00	\$9,120.00
ESTIMATED PROFIT (LOSS)	(\$12,437.00)	(\$8,333.00)	(\$4,229.00)	(\$125.00)	(\$11,069.00)	(\$6,509.00)	(\$1,949.00)	\$331.00	(\$9,701.00)	(\$4,685.00)	\$331.00	\$5,347.00	\$5,347.00

\* Assumes 8% interest paid on simple savings.

12-

PROJECTION OF OUTSTANDING

ESTIMATED POPULATION OF AREA SERVED	7000	8000	9000	10000	11000	12000	13000	14000	15000	16000	17000	18000
ESTIMATED HEADS OF HOUSEHOLDS (4.6/FAMILY)	1522	1739	1957	2174	2391	2609	2826	3043	3261	3478	3696	3913
ESTIMATED LOAN COVERAGE (LOANS:HEADS HSHLD)	1:10	1:10	1:10	1:10	1:10	1:10	1:10	1:10	1:10	1:10	1:10	1:10
ESTIMATED NO. LOANS OUTSTANDING	152	174	196	217	239	261	283	304	326	348	370	391
ESTIMATED LOAN SIZE	\$600.00	\$600.00	\$600.00	\$600.00	\$600.00	\$600.00	\$600.00	\$600.00	\$600.00	\$600.00	\$600.00	\$600.00
ESTIMATED LOAN TERM (MONTHS)	12	12	12	12	12	12	12	12	12	12	12	12
ESTIMATED INDIVIDUAL LOAN OUTSTANDING	\$300.00	\$300.00	\$300.00	\$300.00	\$300.00	\$300.00	\$300.00	\$300.00	\$300.00	\$300.00	\$300.00	\$300.00
ESTIMATED TOTAL LOANS OUTSTANDING	\$45,600.00	\$52,200.00	\$58,800.00	\$65,100.00	\$71,700.00	\$78,300.00	\$84,900.00	\$91,200.00	\$97,800.00	\$104,400.00	\$111,000.00	\$117,300.00
YEARLY INCOME FROM INTEREST	\$32,376.00	\$33,408.00	\$34,104.00	\$35,154.00	\$36,567.00	\$37,584.00	\$38,205.00	\$39,216.00	\$40,098.00	\$41,760.00	\$42,180.00	\$43,401.00
ASSUMED INTEREST RATE	71%	64%	58%	54%	51%	48%	45%	43%	41%	40%	38%	37%
LABOR COST (ASSUME TOTAL BENEFIT = SALARY x 1.37)												
NO. EMPLOYEES PER UNIT	3	3	3	3	3	3	3	3	3	3	3	3
MANAGER: TOT.BEN.(SALARY \$300/MO)	4932	4932	4932	4932	4932	4932	4932	4932	4932	4932	4932	4932
FIELD OFFICER: TOT.BEN.(SALARY \$200/MO)	3288	3288	3288	3288	3288	3288	3288	3288	3288	3288	3288	3288
BOOKKEEPER/CASHIER: TOT.BEN.(SALARY \$150/MO)	2466	2466	2466	2466	2466	2466	2466	2466	2466	2466	2466	2466
SUPERVISION (1 DA/WK x \$30/DAY x 52)	1560	1560	1560	1560	1560	1560	1560	1560	1560	1560	1560	1560
TRAINING/UNIT	1200	1200	1200	1200	1200	1200	1200	1200	1200	1200	1200	1200
(2 WKS/YR x 3 EMPLOY x \$200/WK)												
TOTAL LABOR COST PER UNIT	\$13,446.00	\$13,446.00	\$13,446.00	\$13,446.00	\$13,446.00	\$13,446.00	\$13,446.00	\$13,446.00	\$13,446.00	\$13,446.00	\$13,446.00	\$13,446.00
OTHER OVERHEAD												
BLDG. RENTAL (\$150/MO)	1800	1800	1800	1800	1800	1800	1800	1800	1800	1800	1800	1800
UTILITIES/UNIT (\$60/MO)	720	720	720	720	720	720	720	720	720	720	720	720
TRANSPORT TO BIGGER TOWNS	624	624	624	624	624	624	624	624	624	624	624	624
(3 TRIPS/WK x \$ 4/TRIP x 52 WKS)												
MOTORBIKE DEPRECIATION	2333	2333	2333	2333	2333	2333	2333	2333	2333	2333	2333	2333
(\$3500/36 MO x 12 MOS. x 2 MOTORBIKES)												
GASOLINE & MAINTENANCE	826	826	826	826	826	826	826	826	826	826	826	826
(40 L/MO x \$.47/L x 12 MO)+(50/MG x 12 MO)												
EQUIPMENT DEPRECIATION (\$4000/24 MOS)	167	167	167	167	167	167	167	167	167	167	167	167
TOTAL OTHER OVERHEAD	\$6,303.00	\$6,303.00	\$6,303.00	\$6,303.00	\$6,303.00	\$6,303.00	\$6,303.00	\$6,303.00	\$6,303.00	\$6,303.00	\$6,303.00	\$6,303.00
EXPENSE FOR LOAN LOSS RESERVE												
5% OF LOANS OUTSTANDING	\$2,280.00	\$2,610.00	\$2,940.00	\$3,255.00	\$3,585.00	\$3,915.00	\$4,245.00	\$4,560.00	\$4,890.00	\$5,220.00	\$5,550.00	\$5,865.00
RETURNS TO CAPITAL												
LOANS: EQUITY RATIO	1.8	2.1	2.4	2.6	2.9	3.1	3.4	3.6	3.9	4.2	4.4	4.7
EQUITY INVESTMENT	\$25,000.00	\$25,000.00	\$25,000.00	\$25,000.00	\$25,000.00	\$25,000.00	\$25,000.00	\$25,000.00	\$25,000.00	\$25,000.00	\$25,000.00	\$25,000.00
RETURN TO EQUITY (%)	20%	20%	20%	20%	20%	20%	20%	20%	20%	20%	20%	20%
RETURN TO EQUITY (\$)	\$5,000.00	\$5,000.00	\$5,000.00	\$5,000.00	\$5,000.00	\$5,000.00	\$5,000.00	\$5,000.00	\$5,000.00	\$5,000.00	\$5,000.00	\$5,000.00
INTEREST EXPENSE												
AVERAGE COST OF LOANABLE FUNDS (%)*	10%	10%	10%	10%	10%	10%	10%	10%	10%	10%	10%	10%
(including 20% reserve requirement)												
AVERAGE COST OF LOANABLE FUNDS (\$)	\$4,560.00	\$5,220.00	\$5,880.00	\$6,510.00	\$7,170.00	\$7,830.00	\$8,490.00	\$9,120.00	\$9,780.00	\$10,440.00	\$11,100.00	\$11,730.00
ESTIMATED PROFIT (LOSS)	\$787.00	\$829.00	\$535.00	\$640.00	\$1,063.00	\$1,090.00	\$721.00	\$787.00	\$679.00	\$1,351.00	\$781.00	\$1,057.00

\* Assume 8% interest paid on simple savings.

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**ANNEX 3**

**FINANCIAL SERVICES AND TOWN POPULATION SIZE  
(Projected 1991)**

FINANCIAL SERVICES AND TOWN POPULATION SIZE (Projected '91)

TOWN	BAB or BANEST	COMMER. BANK	CREDIT UNION	CURRENT STATE	MUTUAL? (S&L)	ACCESSIBILITY	CLOSEST CITY	TIME FROM CITY	# DEPOSITORS (of BANEST)	1976 (census)	1991 (Proj.)	BANEST (Est.)	TOWN	POPULATION 8000	POPULATION 7000	SIZES 5000
LA PAZ DEPT.													LA PAZ DEPT.			
La Paz	BAB/BANEST	15	27		2	road/air	N/A	N/A	3328	635,283	651,358	1,210,000	La Paz	651,358	651,358	651,358
El Alto	---	3	2 good		1	paved road	La Paz	30 mn	---	---	500,000 *	---	El Alto	500,000	500,000	500,000
Patacamaya	BAB	1				paved road	La Paz & Oruro	1.5 hrs	---	2,467	5,835	---	Patacamaya	0	0	5,835
Copacabana	BANEST	0				road	La Paz	3 hrs	27	2,924	3,870	---	Copacabana	0	0	0
Palos Blancos	BAB	0				road	La Paz	8 hrs	---	2,085	2,256	---	Palos Blancos	0	0	0
Coroico	BAB/BANEST	0	0			road	La Paz	3 hrs	138	1,658	1,654	---	Coroico	0	0	0
Chulumani	BAB/BANEST	0	1 excel			road	La Paz	4 hrs	81	2,144	2,142	3,500	Chulumani	0	0	0
Caranavi	BAB/BANEST	0	1 good			road	La Paz	5 hrs	71	1,917	7,608	6,000	Caranavi	0	7,608	7,608
Sorata	---	0	1 77			road	La Paz	4 hrs	---	1,916	2,299	---	Sorata	0	0	0
Guanay			1 good			road			---	1,686	2,108 *	---	Guanay	0	0	0
Coripata			1 good			road	La Paz		---	2,172	2,715 *	---	Coripata	0	0	0
Inquisivi			1 77			road	Coch/LaPaz		---	532	665 *	---	Inquisivi	0	0	0
Apolo			1 77			infreq. air	La Paz		---	1,274	1,593 *	---	Apolo	0	0	0
Viacha			1 good			road			---	9,878	12,348 *	---	Viacha	12,348	12,348	12,348
Centro Minero Colquiri						road	Oruro		---	15350	19,188 *	---	Centro Minero Col	19,188	19,188	19,188
Corocoro						road	La Paz		---	6277	7,846 *	---	Corocoro	0	7,846	7,846
Viloco						road			---	4117	5,146 *	---	Viloco	0	0	5,146
Chojlla						road			---	4097	5,121 *	---	Chojlla	0	0	5,121
Achacachi						road	La Paz		---	3939	4,924 *	---	Achacachi	0	0	0
ORURO DEPT.													ORURO DEPT.			
Oruro	BAB/BANEST	6	8		1	paved road	N/A	N/A	688	124,213	163,203	211,000	Oruro	163,203	163,203	163,203
Challapata	BAB	0	0 start			road	Oruro	2 hrs	---	4,307	4,068	---	Challapata	0	0	0
Eucaliptus	---	0	1 excel			road	Oruro	2 hrs	---	3,798	4,748 *	---	Eucaliptus	0	0	0
Huanuni	---	0	1 react			road	Oruro	2 hrs	---	17,258	21,573 *	---	Huanuni	21,573	21,573	21,573
Huari	---	0	1 good			road	Oruro	2.5 hrs	---	2,185	2,731 *	---	Huari	0	0	0
Vinto			1 good			road	Oruro	20 min	---			---	Vinto	0	0	0
COCHABAMBA DEPT.													COCHABAMBA DEPT.			
Cochabamba	BAB/BANEST	12	23		1	road/air	N/A	N/A	961	204,684	339,023	338,000	Cochabamba	339,023	339,023	339,023
Punata	BAB/BANEST	1	1 good			road	Cochabamba		75	77,943	11,831	12,000	Punata	11,831	11,831	11,831
Aiquile	BAB/BANEST	0	1 good			road	Cochabamba	5 hrs	49	4,867	5,913	11,000	Aiquile	0	0	5,913
Mizque	BAB	0	1 weak			road	Cochabamba		---	1,484	2,048	---	Mizque	0	0	0
Villa Tunari	BAB	1	1 77			road	Cochabamba	3 hrs	---	285	1,811	---	Villa Tunari	0	0	0
Quillacollo	BANEST	2	3 excel			road	Cochabamba	45 min	40	19,419	33,034	55,000	Quillacollo	33,034	33,034	33,034
Capinota	BANEST	0	0			road	Cochabamba		---	2,287	3,870	---	Capinota	0	0	0
Chimore	---	0	0			road	Cochabamba	3.5 hrs	---	951	1,189 *	---	Chimore	0	0	0
Cliza	---	0	0			road	Cochabamba	1 hr	---	3,394	4,243 *	---	Cliza	0	0	0
El Pinal	---	0	1 77			road			---			---	El Pinal	0	0	0
Totora	---	0	1 weak			road	Oruro	3 hrs	---	759	949 *	---	Totora	0	0	0
Pasorapa	---	0	1 weak			no road	Sucre		---	945	1,181 *	---	Pasorapa	0	0	0
Irpa Irpa	---	0	0			road		30 min	---	1,207	1,509 *	---	Irpa Irpa	0	0	0
Sacaba			0 inact			road	Oruro		---	5,554	6,943 *	---	Sacaba	0	0	6,943
Arani			0			road	Cochabamba		---	2,850	3,563 *	---	Arani	0	0	0
Senda B Chapare			1 weak			road	Cochabamba		---			---	Senda B Chapare	0	0	0
Vinto			0			road	Cochabamba	1 hr	---	4,410	5,513 *	---	Vinto	0	0	5,513
El Paso			1 good			road	Cochabamba		---	1,324	1,655 *	---	El Paso	0	0	0

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FINANCIAL SERVICES AND TOWN POPULATION SIZE (Projected '91)

TOWN	BAB or BANEST	COMMER. BANK	CREDIT UNION	CURRENT STATE	MUTUAL? (S&L)	ACCESSIBILITY	CLOSEST CITY	TIME FROM CITY	# DEPOSITORS (of BANEST)	1976 (census)	1991 (Proj.)	BANEST (Est.)	TOWN	POPULATION 8000	POPULATION 7000	POPULATION SIZES 5000
HUQUISACA DEPT.													HUQUISACA DEPT.			
Sucre	BAB/BANEST	4	3	good	1	road/air	N/A	N/A	625	63,625	102,807	101,000	Sucre	102,807	102,807	102,807
Padilla	BAB/BANEST	0	0			road	Sucre	6 hrs	---	2,633	2,164	---	Padilla	0	0	0
Monteagudo	BAB/BANEST	0	1	good		road	Sucre	14 hrs	103	3,678	6,837	9,600	Monteagudo	0	0	6,837
Camargo	BAB/BANEST	0	0			road	Tarija	6 hrs	271	2,279	3,795	6,000	Camargo	0	0	0
Tarabuco	BAB	0	0			road	Sucre	1 hr	---	2,333	4,161	---	Tarabuco	0	0	0
Yamparaz	BAB	0	0			road	Sucre		---	1,008	866	---	Yamparaz	0	0	0
Zudanez	BAB	0	0			road	Sucre	4 hrs	---	1,208	1,609	---	Zudanez	0	0	0
Culpina	BAB	0	0			road	Tarija		---	1,167	1,527	---	Culpina	0	0	0
Villa Serrano	---	0	0			road	Sucre		---	2,967	3,709 *	---	Villa Serrano	0	0	0
Las Carreras	BAB	0	0			road	Tarija	2 hrs	---	264	330 *	---	Las Carreras	0	0	0
POTOSI DEPT.													POTOSI DEPT.			
Potosi	BAB/BANEST	3	5		1	road	N/A	N/A	666	77,397	106,628	135,000	Potosi	106,628	106,628	106,628
Tuziza	BAB/BANEST	0	1	excel		road	Tarija	8 hrs	499	10,702	13,378 *	29,500	Tuziza	13,378	13,378	13,378
Villazon	BAB/BANEST	0	1	excel		road	Tarija	6 hrs	101	12,565	15,706 *	30,000	Villazon	15,706	15,706	15,706
Betanzos	BAB	0	0			road	Potosi	1 hr	---	2,189	3,157	---	Betanzos	0	0	0
Cotagaita	BAB	0	0			road	Potosi		---	893	700	---	Cotagaita	0	0	0
Uncia	BAB	0	1	??		road	Oruro		---	7,377	7,871	---	Uncia	0	7,871	7,871
Uyuni	BANEST	0	1	start		road/train	Oruro	4 h/8 h	154	8,960	13,043	15,000	Uyuni	13,043	13,043	13,043
Atocha	BANEST	0	0			road	Potosi	10 hrs	150	4,668	1,391	3,500	Atocha	0	0	0
Llallagua	BANEST	1	1	excel		road	Oruro	3 hrs	63	23,266	20,243	45,000	Llallagua	20,243	20,243	20,243
Ravelo	BAB	0	0			road	Sucre		---	1,091	1,264 *	---	Ravelo	0	0	0
Siglo XX			0							10,790	13,488 *		Siglo XX	13,488	13,488	13,488
Centro Minero Catavi			0							7,584	9,480 *		Centro Minero Cat	9,480	9,480	9,480
TARIJA DEPT.													TARIJA DEPT.			
Tarija	BAB/BANEST	3	5		1	air	N/A	N/A	397	38,916	73,025	76,000	Tarija	73,025	73,025	73,025
Villamontes	BAB/BANEST	0	1	good		road	Tarija	13 hrs	57	5,985	9,892	14,000	Villamontes	9,892	9,892	9,892
Yacuiba	BAB/BANEST	1	1	good		road/air	Tarija	12h/40mn	150	10,792	17,856	40,000	Yacuiba	17,856	17,856	17,856
Bermejo	BAB/BANEST	2	2	good		road/air	Tarija	5h/30m	78	11,462	18,149	30,000	Bermejo	18,149	18,149	18,149
Entre Rios	BAB/BANEST	0	0			road	Tarija	6 hrs	17	1,594	1,694	4,500	Entre Rios	0	0	0
San Lorenzo	---	0	1	good		dirt road	Tarija	1 hr	---	2,023	2,529 *	---	San Lorenzo	0	0	0
STA CRUZ DEPT.													STA CRUZ DEPT.			
Santa Cruz	BAB/BANEST	14	16		1	road/air	N/A	N/A	858	254,682	621,550	575,000	Santa Cruz	621,550	621,550	621,550
Comarapa	BAB	0	1	good		road	Santa Cruz		---	2,287	4,056	---	Comarapa	0	0	0
Samaipata	BAB	0	1	good		paved road	Santa Cruz	1.5 hrs	---	1,929	5,402	---	Samaipata	0	0	5,402
Vallegrande	BAB/BANEST	0	1	good		road/air	Santa Cruz	7h/20mn	153	5,040	8,399	26,000	Vallegrande	8,399	8,399	8,399
Camiri	BAB/BANEST	1	1	good		road/air	Santa Cruz	12 hr/1 hr	269	19,499	24,877	40,000	Camiri	24,877	24,877	24,877
San Jose(Chiq.)	BAB/BANEST	0	1	good		train	Santa Cruz	2.5 hrs	77	4,013	9,112	10,000	San Jose(Chiq.)	9,112	9,112	9,112
Montero	BAB/BANEST	3	1	good		paved road	Santa Cruz	1 hr	67	28,686	58,056	80,000	Montero	58,056	58,056	58,056
Buena Vista	BAB	0	1	agency		road	Santa Cruz	1.5 hours	---	1,903	3,460	---	Buena Vista	0	0	0
San Ignacio(vel)	BANEST	0	0			road/air	Santa Cruz	14h/45m	150	4,898	13,050	15,000	San Ignacio(vel)	13,050	13,050	13,050
San Matias	BANEST	0	0			air	Santa Cruz	2 hrs	95	1,711	3,683	6,000	San Matias	0	0	0
Puerto Suarez	BANEST	1	1	good		air/train	Santa Cruz	2h/18h	---	4,253	20,082	21,000	Puerto Suarez	20,082	20,082	20,082
Robore	BANEST	0	1	good		road/air/train	Santa Cruz	9h/1h/13h	176	6,088	11,253	18,500	Robore	11,253	11,253	11,253
Minero	BANEST	0	1	good		paved road	Santa Cruz	1.5 hr	---	6,230	16,008	---	Minero	16,008	16,008	16,008

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FINANCIAL SERVICES AND TOWN POPULATION SIZE (Projected '91)

TOWN	BAB or BANEST	COMMER. BANK	CREDIT UNION	CURRENT STATE	MUTUAL? (S&L)	ACCESSIBILITY	CLOSEST CITY	TIME FROM CITY	# DEPOSITORS (of BANEST)	1976 (census)	1991 (Proj.)	BANEST (Est.)	TOWN	POPULATION SIZES		
														8000	7000	5000
STA CRUZ DEPT. con't.														STA CRUZ DEPT.		
Portachuelo	BANEST	1		1 good		road	Santa Cruz	1 hr	---	7,059	10,317	13,000	Portachuelo	10,317	10,317	10,317
Concepcion	---	0		0		road	Santa Cruz	5 hrs	---	1,820	2,275 *	---	Concepcion	0	0	0
Guabira	---	0		0		paved road	Santa Cruz	1 hr	---	---	3,000 *	---	Guabira	0	0	0
Cotoca	---	0		1 ??		paved road	Santa Cruz	30 min	---	2,107	2,634 *	---	Cotoca	0	0	0
Loma Alta	---	0		1 ??		road	Santa Cruz		---	1,379	1,724 *	---	Loma Alta	0	0	0
Warnes	---	1		1 good		paved road	Santa Cruz	25 min	---	4,288	5,360 *	---	Warnes	0	0	5,360
El Torno	---	0		1 good		paved road	Santa Cruz	1 hr	---	2,110	5,000 *	---	El Torno	0	0	0
Mairana	---	0		0		paved road	Santa Cruz	2 hrs	---	1,731	2,164 *	---	Mairana	0	0	0
San Miguel	---	0		0		road	Santa Cruz	13 hrs	---	1,332	1,665 *	---	San Miguel	0	0	0
Okinawa	---			0		road	Santa Cruz	1.5 hrs	---	1,006	1,258 *	---	Okinawa	0	0	0
Saavedra	---			1 good		paved road	Santa Cruz	1.2 hrs	---	2,243	2,804 *	---	Saavedra	0	0	0
Moro Moro	---			1 ??		road	Santa Cruz	3 hrs	---	586	733 *	---	Moro Moro	0	0	0
La Belgica	---			1 internal		road	Santa Cruz	1 hr	---	4,258	5,323 *	---	La Belgica	0	0	5,323
Yapacani	---			2 agencies		road	Santa Cruz	3 hrs	---	---	4,000 *	---	Yapacani	0	0	0
BENI DEPT.														BENI DEPT.		
Trinidad	BAB/BANEST	3		1 good	1	road/air	N/A	N/A	179	27,487	52,319	51,000	Trinidad	52,319	52,319	52,319
Magdalena	BANEST	0		0		air	Trinidad	45 min	81	3,316	4,924	4,500	Magdalena	0	0	0
Santa Ana	BAB/BANEST	0		0		road/air	Trinidad	6h/35mn	14	5,465	20,770	18,000	Santa Ana	20,770	20,770	20,770
San Borja	BAB/BANEST	0		1 good		road/air	Trinidad	8h/45mn	165	4,569	6,925	20,000	San Borja	0	0	6,925
Reyes	BAB/BANEST	0		1 good		road/air	Trinidad	10h/45 min	102	3,191	3,310	3,500	Reyes	0	0	0
Riberalta	BAB/BANEST	1		1 good	1	air	Trinidad	1 hr	77	17,338	28,640	50,000	Riberalta	28,640	28,640	28,640
Guayaramerin	BANEST	1		1 good	1	air	Trinidad	2 hrs	74	12,520	22,376	35,000	Guayaramerin	22,376	22,376	22,376
Rurrenabague	---	1		1 weak		road	La Paz	18 hrs	---	2,052	2,565 *	---	Rurrenabague	0	0	0
San Joaquin	---	0		0		air	Trinidad	1 hr	---	1,988	2,485 *	---	San Joaquin	0	0	0
Santa Rosa	---	0		0		air	Trinidad	1 hr	---	1,692	2,115 *	---	Santa Rosa	0	0	0
San Ig. de Moxo	---	0		0		road	Trinidad	3 hrs	---	3,020	3,775 *	---	San Ig. de Moxos	0	0	0
PANDO DEPT.														PANDO DEPT.		
Cobija	BAB/BANEST	1		1 weak	1	air	La Paz	3 hours	71	17,338	7,496	8,750	Cobija	0	7,496	7,496
-----														-----		
TOTALES	89	83	151		13				11,397	1,974,370	3,321,609	3,380,850 0		35 cities	39 cities	48 cities
RURAL TOTALES		22	60		0									26 rural	31 rural	41 rural

NOTES:

- 1) Of a total of 65 cities and end towns over 5,000 population, 55 of them have financial services via banks or credit union.
- 2) # of depositors refers only to BANEST. BAB did not take deposits.
- 3) Source: Janet Trujillo, INE Demographer; Estimates marked with (\*) made by Calvin Miller
- 4) Prepared by Liza Valenzuela and Calvin Miller

A: BAB2.WK1

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**ANNEX 4**

**DAI CONSULTANCY GROUP MEETINGS AND VISITS**

**ANNEX 4****DAI CONSULTANCY GROUP MEETINGS AND VISITS**

January 6 to 24, 1992

<b>ORGANIZATION</b>	<b>PERSONS</b>
<u>Banks</u> ASOBAN bankers	Guido Antezana - ASOBAN Edgar Hevia y Vaca - Banco Popular del Peru Mario Lema - BHN Multibanco Gonzalo Paz - BISA Gonzalo Taborga - BBA Javier Diez de Medina - Banco Santa Cruz
Superintendencia de Bancos	Rosendo Barbery Salomon Eid
BancoSol/PRODEM -La Paz	Pancho Otero Management team
PRODEM - Santa Cruz	Oscar Moreno
Banco Santa Cruz - Central	Luis Saavedra Alfonso Alvarez Nunez
Banco Santa Cruz - Montero	Jorge Lopez
Banco Santa Cruz - Portachuelo	General Manager
Banco BIDESIA - Santa Cruz	Roberto Landivar Karen Steimbach
Banco BHN Multibanco	Fernando Romero
FINDESA/CORDECRUZ	Alan Campbell Jorge Mendez Carlos Antelo Guido Bannuze Jesus Justiniano Melvin Pozo Roger Zambrana Luis Moron

<b>ex-Banco Agrícola</b>	<b>Walter Nunez</b>
<b>Financial Systems Consultant</b>	<b>Miquel Angel García</b>
<b><u>Credit Unions</u></b>	
<b>FENACRE La Paz</b>	<b>Group meeting of leaders</b>
<b>FENACRE Santa Cruz</b>	<b>Orlando Bravo Enrique Hoyos</b>
<b>FENACRE Cochabamba</b>	<b>Alberto Montero Uboldo Garcia</b>
<b>WOCCU</b>	<b>William Tucker</b>
<b>El Alto Credit Union</b>	<b>Walter Rivas</b>
<b>Montero Credit Union</b>	<b>Braulio Soliz Alvino Montero</b>
<b>Portachuelo Credit Union</b>	<b>Directorate</b>
<b>San Luis Credit Union</b>	<b>Administrative Counsel Craig Tenney</b>
<b>San Martin/S. Jose Obrero Credit Unions</b>	<b>Jorge Hinojosa Alfredo Vichente Ramon Rivero</b>
<b>Progreso Credit Union</b>	<b>Wendell Amstutz Angel Rios Mario Sanz</b>
<b>La Merced Multi-active Coop. - Santa Cruz</b>	<b>Adalberto Terceros Luis Soria Campesino Program Director</b>
<b>La Merced Branch - Mairana</b>	<b>Jose Montano</b>
<b>Comarapa Credit Union</b>	<b>Pharmacy sales person</b>
<b>Cochabamba Integral Coop.-Punata</b>	<b>Emilio Cano</b>

Mutuals  
CACEN

Ernesto Wende and  
Group meeting with Cacen and Mutual  
leaders

Mutual El Pueblo

Gonzalo Garcia, Ivan Iturry and Directorate

Mutual Guapay

Antonio Barbery  
Luis Peinado  
Oscar Coronado

Mutual Promotora

Jorge Ramirez  
Agustin Lopez

Development Institutions  
USAID

Rich Rosenberg  
Liza Valenzuela  
Ernesto Garcia  
Mahlon Barash  
Jorge Calvo

Fundacion Sartawi

Marcos Nucinkis

FADES

Jose Baldivia

DESEC

Juan Demuere  
Edgar Guardia

DAI - Cochabamba

James Graham

Agrocapital (ACDI)

Mario Andia  
Mario Candia

Local Organizations

ASOFRUT -Samaipata

Trago Mileta

ASOPROF/FEGASACRUZ -Comarapa

Group meeting

Village Markets  
Villa Remedios

Village group and market

Batallas

Market

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