

511-450

AUG 21 1978

ACTION MEMORANDUM FOR THE ASSISTANT ADMINISTRATOR (LAC)

FROM: LAC/DR, John A. Sanbrailo

Problem: To approve an additional \$175,000 in grant funding for the Educational Management and Rural Development Project in Bolivia (No. 511-0450), and to extend the life of the project to December 31, 1979.

Discussion: The project initially was funded in FY 1975 as a \$1.529 million companion grant to the \$9.65 million FY 1974 Educational Management and Instructional Development loan to support administrative reform in the Ministry of Education and Culture (MEC) of the Government of Bolivia (GOB). The loan was authorized on June 20, 1974 and the grant on July 8, 1974. The loan and grant agreements were signed with the GOB in August, 1974 and November, 1974 respectively. The disbursement period of the grant was to have been through FY 1978. The terminal disbursement date of the loan was December 31, 1978, later extended by the Mission to December 31, 1979.

The purpose of the overall loan/grant project is to improve the functional efficiency in the MEC and prepare the institutional base at the national and departmental levels for reform of rural education. Initially, the grant was to have been used to provide only technical assistance and related costs in support of the reform program. Subsequent changes in the use of the grant reduced the amount available for the project to \$1,132,199 (see TAB C).

To implement the grant, the GOB signed a contract in July, 1975 with the Academy for Educational Development (AED) to provide long and short-term (i.e., grant and loan-financed respectively) technical assistance to MEC. The 26-month contract provided 187 person-months of long-term assistance, 26 person-months of short-term assistance and home office support for a total cost of \$1,034,950. The contract was amended three times to provide an additional 22 months of long-term assistance and to extend the contract through December, 1977; the additional 22 months of assistance increased the total cost to \$1,100,124, of which the grant-financed portion totalled \$782,199.

A fourth amendment was signed in December, 1977 to provide an additional 147 person months of long-term assistance and additional home office and local support costs and to extend the AED contract to December, 1979. The total cumulative cost of the contract was increased thereby to \$2,269,174, including \$1,867,249 to be financed under the grant (approximately \$735,000 in excess of funds available under the grant).

In December, 1977, USAID/Bolivia submitted a request to extend the life of the grant to December, 1979 and increase the amount by \$735,000 to finance the short-fall in funding the AED contract. However, in light of the slow rate of progress in the implementation of the loan/grant project, the Mission was requested to submit a more complete analysis of the overall project.

In response to the above, the Mission prepared a detailed evaluation report in April, 1978 (TAB C) and a Project Paper Amendment for extending the amount and life of the grant project (TAB B and TAB C).

The evaluation and PP Amendment indicate that extended delays in all procurement elements of the project have slowed significantly the rate of utilization of the loan and grant. As of May 31, 1978, the loan was 24 percent committed (\$2.3 million) and 16 percent disbursed (\$1.5 million). To accelerate procurement actions, a timetable for commitment of funds has been established. The Mission estimates that by the end of December, total commitments should reach \$7.8 million (80%) and disbursements \$3.0 million (30%).

Concerning the "softer" elements of the loan/grant project (decentralization of Ministry functions, professional development, training, planning and evaluation, information management, financial administration, and instructional materials) progress to date has been slower than expected but there has been considerable improvement during the past six months.

The request and rationale for increased grant funds is based on a desire to achieve the original objectives of the program. It is generally agreed that the original program underestimated the complexities and difficulties involved in an administrative reform and, therefore, underestimated the need for long-term technical assistance. Several other factors also account for the need to extend the time and increase the amount of grant funded technical assistance including long delays in the completion of project facilities, delays in signing the original AED contract and ineffectiveness of the MEC implementing unit. In addition to these factors, the extension of the grant project is necessary to provide the increased amount of technical assistance believed necessary to accomplish the overall end-of-project objectives and to accommodate the escalation of costs per person-year of technical assistance.

In conjunction with the preparation of the PP Amendment, MEC, AED, and the Mission reviewed the technical assistance requirements contained in AED Contract Amendment 4 discussed above in order to reduce them to the absolute minimum necessary to achieve the objectives

of the project. The conclusion of the review was that 108 work months (beginning in January 1978) would be sufficient thereby reducing the amount of the required increase in grant funding to \$600,000. Of that total, the Mission requests that \$175,000 be made available in FY 78. The Mission estimates that current grant funds under the project will be exhausted in September and technical services under the AEC contract will terminate unless additional funds are made available. The requested FY 78 funds will finance the AED contract through the first quarter of FY 79. The additional \$425,000 necessary to finance the grant-funded portion of the AID contract will require a second amendment to the grant authorization to be processed in FY 79. Prior to approval of the FY 79 grant amendment, the Mission will be requested to furnish supplemental information to confirm continued progress in project implementation.

The results of the evaluation and analysis contained in the PP amendment indicate that despite earlier delays and implementation problems, there is a reasonable expectation that the loan/grant project will achieve most of the original project objectives within the extended terminal disbursement date of the loan and with the extension of the grant project to December 31, 1979, including increased life of project financing of \$500,000 to a new total of \$2,129,000. The involved offices within the LAC Bureau have reviewed and concur in the Mission's request.

The request for an additional \$175,000 in grant funds is within the amount proposed for the project in the FY 78 Congressional Presentation. No Advice of Program Change, therefore, will be required.

Recommendation: That you approve the extension of the life of the project to December 31, 1979 and an increase in grant funding of \$175,000 by signing the attached Grant Authorization Amendment (TAB A).

Attachments: TAB A - Grant Authorization Amendment
TAB B - Project Paper
TAB D - La Paz 6421
TAB C - Evaluation Report

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