

QUARTERLY REPORT

FOR

September, October, November 1979

Personal Services Contract AID 525-371T

between

THE AGENCY FOR INTERNATIONAL DEVELOPMENT

and

Javier Lindel Garza, Project Advisor

PROJECT 511-HG-006 GOVERNMENT OF BOLIVIA
MINISTRY OF HOUSING AND URBANISM
BANCO DE LA VIVIENDA

COUNTRY: BOLIVIA

PROJECT TITLE: SHELTER SOLUTIONS FOR LOW-INCOME
FAMILIES IN URBAN AREAS (Trinidad,
Cochabamba and Sucre).

Project: 511-HG-006
Shelter Solutions for Families with Low Incomes
AID Housing Guaranty Program

Loan Amount: \$4 million

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By : Javier L. Garza, Project Advisor

BACKGROUND EVENTS:

- The Implementation Agreement AID-HG-006 between the Ministry of Housing and Urbanism (MUJ), the National Housing bank (BANVI) and USAID was signed on 12 July 1979.
- Grant project agreement AID 511-0510 was signed on 12 July 1979 by the Minister of Finance, the Minister of Housing and Urbanism, US Ambassador Boeker and AID/Bolivia Director Mr. Peña.
- Implementation Letter No. 1 furnishing additional information about the contract between BANVI and MU/DGPC, and concerning the project delivery plans was issued on 20 August 1979.
- Long-term project advisor Garza commenced orientation in Washington 28 August, 1979, had consultations with the Regional Housing Office (RHO) in Panama 10-12 September and arrived in Bolivia on 13 September 1979.
- RHO Housing Officer Bill Gelman from RHO/Panama also arrived 13 September 1979 on TDY to assist with the initiation of the Technical Assistance program.
- Implementation letter No. 2 to extend the terminal date for meeting conditions precedent from 31 August 1979 to 30 November 1979 was issued by Mission, 17 September 1979.

MAJOR WORK TARGETS FOR QUARTER:

1. Establish working relationships with the Minister of Housing and Urbanism, the Subsecretary for Housing, and personnel at BANVI, DGPC and USAID/Bolivia. Familiarize self with these operations.
2. Organize a work program to consider all requirements outlined in the Implementation Agreement. Set calendar dates and get agencies to assign personnel responsible for meeting these requirements. Conditions precedent should be met by the terminal date specified: 30 November, 1979.
3. Travel to project cities: Trinidad, Cochabamba and Sucre.
4. Assist DGPC initiate Plan Socio Urbano (PSU) staffs in each city the cooperation of the municipal governments. These PSU's should serve as the infrastructure for the development and implementation of the HG program in each City.
5. Obtain agreements between the Ministry of Housing and Urbanism, (DGCP) and each of the participating Municipalities.
6. Plan and coordinate a program for short term technical assistance.

STATUS OF WORK TARGETS:

1. After several meetings with the Minister and Subsecretary it was clear that the project enjoyed their support and interest. High interest was also expressed in the technical assistance program available to the Ministry. This involved bringing short term technicians to assist in developing a national housing policy. A good working relationship was established with both the Minister and the Subsecretary as well as with the President, General Manager and Chief of the Low Cost Housing Unit and other personnel at BANVI. An effective working relationship has not been achieved with the DGPC for several reasons. Prime among these is DGPC's general opposition to the program because of its "high interest rate", a reluctance on their part to have the project advisor actually work in the Ministry offices, and their general attitude for whatever reasons of non cooperation and coordination with both BANVI and AID.
2. A work program delineating the responsibilities of each agency in meeting all implementation agreement conditions precedent was developed. Some progress was made during this period (primarily by BANVI) towards meeting conditions precedent; however, the problems discussed more in

detail in another section of this report, have delayed meeting these conditions by the terminal date.

3. The City of Trinidad was the only project city visited. A visit to Cochabamba was scheduled and postponed four different times. Because of lack of operating funds, ^{we} experienced problems getting travel approved, and obtaining tickets and per diem necessary for traveling.
4. Because Trinidad was the only project city visited, assistance in formulation of the Plan Socio Urbano staff occurred only in Trinidad.
5. A draft agreement between the Ministry's DGPC and the Housing Bank was developed and prepared. The agreement however, was not executed due to the immediate change in Ministry personnel after the Nov. 1 coup. An agreement between the Ministry and the Municipality of Trinidad was developed, negotiated and signed.
6. Initial plans for the utilization of short term technical assistance in the areas of housing policy development and environmental assessment were prepared. However, these were postponed when Ministry personnel changed after the coup and when project delays made usage of specific types of technical assistance unfeasible at this time.

CURRENT PROJECT STATUS:

During the month of September, the project got off to a good start. Initial meetings were held between project advisor Garza and housing officer Gelman, with the Minister of Housing and Urbanism (Guillermo Arroyo), the Housing Subsecretary (Jorge Traverso) and the various officials of the Housing Bank (BANVI) and the Dirección General de Promoción Comunal (DGPC). These meetings set in motion the momentum to initiate work on the project since very little had been accomplished after the signature of the Implementation Agreement (12 July 1979).

The problems which surfaced almost immediately have been instrumental in delaying project progress. For example, under the implementation agreement, it was agreed that a funding input or contribution by the Ministry of Housing and Urbanism would be \$400,000. This would include \$300,000 in PADES funds (Programa de Arranque para el Desarrollo) which the national treasury was supposedly recuperating and an additional \$100,000 from the Ministry to the DGPC for Plan Socio Urbano staffing.

It was soon discovered that the PADES funds had already been recovered by the national treasury and further, had already been expended. Without these funds the DGPC, does not have the operating funds necessary to meet or carry out project requirements outlined in the Implementation agreement. This Agency is in charge of the Ministry's Plan Socio Urbano programs in the marginally urban and squatter settlement type developments in Bolivia's major cities, and has prime project planning and implementation responsibilities under the Implementation agreement. The alternative was to ask for additional funds to replace PADES funds. This was attempted when the Minister of Housing and Urbanism wrote a letter requesting replacement funds to the Minister of Finance. Several meetings were held between the subsecretary of housing, the project advisor, BANVI personnel and DGPC staff with a Subsecretary in the Ministry of Finance and other Finance ministry's budget staff. They all agreed that these funds needed to be replaced somehow by the national treasury because the amount had been agreed to in implementation agreement which had been signed with USAID. However, communication signals were crossed because the Minister of Housing received a reply two days later from the Minister of Finance. The letter advised him that the financial obligations delineated in the international agreement and designated as contribution or counterpart funds should be made available through the Ministry of Housing and Urbanism's own budget (due to the critical situation in which the general treasury of Bolivia found itself.) Without these funds, it is apparent that the DGPC cannot operate the project as it was conceived and as was formally agreed.

The conditions precedent outlined in the Implementation Agreement and targeted to be met by the terminal date, 30 November 1979, have not been met. The problem outlined above, coupled with the political situation during this period have brought major delays. The military's takeover of the government on 1 November 1979 caused a total cessation of governmental and private sector activity. The United States Government responded to this coup by suspending all economic assistance to Bolivia. This, of course, included all USAID project activity. During this suspension (the period in which the country was governed by the "de facto" government), no contact could be made with any government officials or offices. When the suspension was lifted a few weeks later, a number of changes occurred. These included the naming of another new Minister of Housing and Urbanism, and a new Subsecretary. While BANVI personnel remained intact, the Director of the DGPC became interim Director since his position needed reconfirmation by the Subsecretary. As acting Director no action could be taken. No meetings were held and consequently, no work was done during this period. BANVI, has apparently remained interested and continues to do some minor work on the project.

In summary, the project at this point is at a virtual standstill. The problems described above and the problems of reinitiating the project, refamiliarizing the new Ministry personnel will take a good portion of the next quarter. Contacts with top ministry personnel cannot be resumed until protocol visits are made by the Ambassador and Mission Director to the new Minister. Until then, the program will be plagued by a lack of momentum. Nonetheless, the alternatives and recommendations presented elsewhere in this report will be fine-tuned so that if and when they are accepted, the program can be reinitiated and the momentum can be regained.

MAJOR PROBLEMS AND DELAYS ENCOUNTERED:

PADES FUNDS.- The major problem which has caused the most delays in the completion of project requirements has been the lack of funds on the part of the Ministry's Dirección General de Promoción Comunal. As was described above, these funds were to be used by the DGPC to fund their expenses in executing the project. Since these funds or any replacement funds have not been acquired, DGPC's involvement has been limited to one site visit (Trinidad) and only minor work performed on meeting conditions precedent which could be prepared in the office. Because no replacement funds have been located, the DGPC has difficulty obtaining funds for needed travel, per diem and other costs related to the project. As a result, subsequent trips to Cochabamba and Sucre were planned by postponed several times due to inavailability of funds.

INTEREST RATE: There was a major concern by the DGPC and groups in the City of Trinidad regarding the interest rate for this loan. This problem caused the DGPC to drag its feet in working on project requirements. Their arguments were these:

1. People would reject the program because of this "high" interest rate;
2. To go to the people with this interest rate and then be rejected (by Implementation Agreement the interest rate would be no lower than 15%), would do irreversable damage to the Plan Socio Urbano program either presently or in the future.
3. Still another argument was that there was an inherent unfairness in lending money to the target low-income families when middle income families were being lent money for similar loans at the same interest rate. Further, DGPC officials claimed that they had had no input in formulating the 15% interest rate during

negotiations with AID and, therefore, were unsatisfied with the program for that reason.

While the 2nd concern above has some credence the others are either based on sheer speculation or have little or no validity. After the 25% devaluation of the peso November 30, 1979, concern # 3 has been dealt with since loans for middle income families are now running at 19%; the housing program loans to low-income families will remain at around 15%. This difference provides a psychological advantage for continuing the project. It should be noted that the DGPC was involved in negotiations at every step.

POLITICAL SITUATION: The instability of the political situation during these three months has been a major factor in project delays. The November 1 coup d'etat caused severe problems. USAID suspension resulted. During this period there was a prohibition of contact with any Bolivian government offices and personnel, a situation which lasted almost the entire month of November. This caused even more of a project slowdown. Also, subsequent changes in Ministry personnel added to the problem. The resulting work stoppages and general strikes, the lack of transportation and stoppage of mail and air services during this period affected every aspect of life and work in Bolivia.

PROJECT COOPERATION: A key factor in the delays encountered has been a general lack of cooperation by the DGPC both with BANVI and with the project advisor. Their reluctance to provide office space and administrative support to the project advisor as was agreed to by implementation agreement, has been a primary obstacle. The DGPC suggested that the advisor show up only for meetings. The attitude was carried through even after office space was provided since after this occurred desk and files were either moved or disappeared. This kind of cooperation coupled with a lack of interest by DGPC in coordination with BANVI and the advisor has caused a setback to the project.

MINISTRY'S SUSCEPTIBILITY TO PRESSURE: An office such as the DGPC, which is responsible for programs in an entire country is necessarily vulnerable to pressures from cities where this agency's programs are either not developing or are not scheduled. Thus, the DGPC has been too ready to heed to pressures to move or expand the housing program to other cities who made such requests or have pressured the ministry. This program is a pilot project set up initially in only three cities. The Dirección's arbitrary giving in to pressure from other communities and promising the project there without the prior knowledge or approval by AID has caused problems in focusing the project on its original intent.

RECOMMENDATIONS:

Given the problems and delays encountered thus far, the following recommendations and alternatives are presented for consideration:

1. The Ministry must be actively involved in the implementation of the project. The Minister and Subsecretary for Housing must find funding for the DGPC out of the Ministry's budget or they must find replacement funds in the amount agreed to in the Implementation Agreement. Should these funds not be available from any source, the Ministry must consider viable alternatives to the implementation of the project.
2. In light of BANVI's continuing interest and financial ability to finance and administer the project, should no funds be available to finance the DGPC, the Ministry should seriously consider letting BANVI administer the entire project. The experience gained in handling World Bank and other funding projects makes BANVI a good alternative source for continuing the project. While BANVI could not entirely support the project financially, other sources can be utilized. These include greater participation by the participating municipalities in donating or providing land, field office staff, equipment and other services. BANVI could also supplement its branch offices with necessary personnel to make up any deficiencies.
3. The involvement of the Minister and Subsecretary in the coordination of project activities must be insured. In this manner, major problems (such as the lack of PADES funds) can be dealt with quickly and solutions can be sought with greater speed. This kind of involvement can present further project delays. The availability of key ministry personnel can facilitate project cooperation and coordination between all participating agencies which pertain to the Ministry.
4. A greater attempt must be made on the part of the Ministry to focus the project effort on the pilot cities agreed to by Implementation Agreement. Decisions to move project funds to other cities without approval or knowledge of AID must be avoided.

5. The Minister and Subsecretary must be involved in seeing that all technical advisors funded under this project be given full cooperation by the Ministry's participating agencies. As a minimum office space and administration support must be provided both at the Ministry and at BANVI for the long term advisor. Without this, and without cooperation from personnel at these agencies, the project cannot take its course.