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ACTION MEMORANDUM FOR THE ADMINISTRATOR

DEC 31 1974

THRU: EXECUTIVE ASSISTANT  
 FROM: AA/PPC, Philip Birnbaum

Problem: To permit authorization under the Continuing Resolution of a four-year, \$9.2 million, FY 1975 Agriculture Sector Loan to Bolivia.

Discussion: The Government of Bolivia (GOB) will be the Borrower. The executing agent will be the Ministry of Campesino Affairs and Agriculture (MACAG). Four other public institutions will participate in implementation: The National Community Development Service (NCDS); the Bolivian Agricultural Bank (BAB); and the public universities of Cochabamba and Santa Cruz.

The project will strengthen delivery of agricultural research and extension to small farmers, and increase small farmer use of modern production technology through the development, expansion and decentralization of essential public services in the high valleys and newly developing lowlands where one-third of Bolivia's rural population is located. The Loan will finance: (1) improved agriculture sectoral management (\$600 thousand); (2) technological development (\$3.93 million); (3) agricultural credit (\$4.4 million); and (4) agricultural education and training (\$200 thousand).

The GOB contribution will be approximately 38% of the total project cost, thus exceeding the 25% minimum established in FAA Section 110 (a). The Assistant Administrator for Latin America will receive and determine the adequacy of such assurances given by the GOB prior to the signing of the Loan Agreement. An estimated 56% of the Loan will be used to meet local currency requirements of the project.

The Loan and its complementary grant for \$4.614 million (approved in November 1974) are described on page 22 of the FY 1975 Congressional Presentation. Congress was notified of A.I.D.'s intent to increase the Loan amount from \$8 to \$9.2 million and to increase the disbursement period from three to four years on December 23, 1974.

The MACAG, is beginning from an extremely low human resource base in terms of numbers and training of the existing staffs for research, extension, and sector planning. A four-year period will be required to train these personnel, and provide them with sufficient on-the-job experience at their new training levels, without disrupting the on-going functions of their respective organizations. In addition, a four year disbursement period will be necessary to carry out the program for construction of three regional service centers, which are integral parts of the overall project objective.

The Loan amount was increased to \$9.2 million to cover the increased costs of participant training, technical assistance and commodities, expand project components for adult education and women's training, and to add funds for marketing-infrastructure feasibility studies.

All interested A.I.D. offices concur in this loan project. The Development Loan Staff Committee approved the Loan on December 27, 1974.

Recommendation: That you approve a four-year disbursement period and authorize the Assistant Administrator for Latin America to sign the attached Loan Authorization.

Approved: John S. [Signature] \*

Disapproved: \_\_\_\_\_

Date: 12/31/74

Attachments

1. Capital Assistance Paper
2. Loan Authorization

Clearances: AA/LA, Herman Kleine [Signature] Date 12/30/74  
GC, Arthur Z. Gardiner [Signature] Date 12/31/74

\* Every effort should be made to commence construction 1/1/76 at the latest. [Signature]

31 DEC 1974

**ACTION MEMORANDUM FOR THE ASSISTANT ADMINISTRATOR**

**FROM :** LA/DR, John R. Breen *JRB*  
**SUBJECT:** Bolivia - Agriculture Sector Loan

*See final bank  
file assurance  
imp. management  
of Mr. Murphy  
covered by  
loan agreement*

**Problem:** Since the attached proposed Loan Authorization is for less than \$10.0 million, your signature is required. *M*

**Discussion:** The project will strengthen delivery of agricultural research and extension to small farmers, and increase small farmer use of modern production technology through the development, expansion and decentralization of essential public services in the high valleys and newly developing lowlands where one-third of Bolivia's rural population is located. The Loan will finance: (1) improved agriculture sectoral management (\$600 thousand); (2) technological development (\$3.93 million); (3) agricultural credit (\$4.4 million); and (4) agricultural education and training (\$200 thousand).

The DAEC reviewed the proposed Loan on December 20. The principal changes in the project as a result of the meeting were as follows:

The discussion of farmers shifting out of coca production (page 18) was deleted because further clarification of those farmers eligible for credit was not needed. Instead, the paper now indicates that the instructions issued in the Intensive Review Request will be valid and therefore adhered to throughout the implementation of the Loan.

An additional Appendix was added so as to include direct references to the Intensive Review Request instruction cable.

The evaluation was revised to include a yearly review of credit disbursements to individual farmers in order to assure that most of the credit is not being absorbed by larger farmers.

A covenant has been added which will take into account the Bolivian Government's price policies by providing incentives for agricultural production. The DLSC subsequently approved the Loan.

The Loan and its complementary grant for \$4.614 million (approved in November 1974) are described on page 22 of the FY 1975 Congressional Presentation. Congress was notified

of A.I.D.'s intent to increase the Loan amount from \$8 to \$9.2 million and to increase the disbursement period from three to four years on December 23, 1974. The attached Action Memorandum, signed by the Administrator, indicates authorization is permissible.

Recommendation: That you sign the attached Loan Authorization.

Attachments:

1. Loan Authorization
2. Capital Assistance Paper