

PD- AAX-034

**UNCLASSIFIED**

UNITED STATES INTERNATIONAL DEVELOPMENT COOPERATION AGENCY  
AGENCY FOR INTERNATIONAL DEVELOPMENT  
Washington, D. C. 20523

BOLIVIA

PROJECT PAPER

EXPORT PROMOTION

AID/LAC/P-532

Project Number: 511-0585

**UNCLASSIFIED**

PLANNING

<b>AGENCY FOR INTERNATIONAL DEVELOPMENT</b> <b>PROJECT DATA SHEET</b>		<b>1. TRANSACTION CODE</b> <input type="checkbox"/> A = Add <input type="checkbox"/> C = Change <input type="checkbox"/> D = Delete	<b>Amendment Number</b> _____	<b>DOCUMENT CODE</b> 3
<b>2. COUNTRY/ENTITY</b> Bolivia		<b>3. PROJECT NUMBER</b> 511-0585		
<b>4. BUREAU/OFFICE</b> L A C		<b>5. PROJECT TITLE (maximum 40 characters)</b> EXPORT PROMOTION		
<b>6. PROJECT ASSISTANCE COMPLETION DATE (PACD)</b> MM DD YY 11 16 93		<b>7. ESTIMATED DATE OF OBLIGATION</b> (Under 'B.' below, enter 1, 2, 3, or 4) A. Initial FY 89 B. Quarter 1 C. Final FY 93		

8. COSTS (\$000 OR EQUIVALENT \$1 = )						
A. FUNDING SOURCE	FIRST FY 89			LIFE OF PROJECT		
	B. FX	C. L/C	D. Total	E. FX	F. L/C	G. Total
AID Appropriated Total	900	1,200	2,100	2,800	8,700	11,500
(Grant)	( 900 )	( 1,200 )	( 2,100 )	( 2,800 )	( 8,700 )	( 11,500 )
(Loan)	( )	( )	( )	( )	( )	( )
Other U.S.						
1.						
2.						
Host Country		750	750		4,000	4,000
Other Donor(s)						
<b>TOTALS</b>	900	1,950	2,850	2,800	12,700	15,500

9. SCHEDULE OF AID FUNDING (\$000)									
A. APPROPRIATION	B. PRIMARY PURPOSE CODE	C. PRIMARY TECH. CODE		D. OBLIGATIONS TO DATE		E. AMOUNT APPROVED THIS ACTION		F. LIFE OF PROJECT	
		1. Grant	2. Loan	1. Grant	2. Loan	1. Grant	2. Loan	1. Grant	2. Loan
(1) ARDN	840	840	-	-	-	5,000		5,000	
(2) SDA	840	840	-	-	-	6,500		6,500	
(3)									
(4)									
<b>TOTALS</b>						11,500		11,500	

<b>10. SECONDARY TECHNICAL CODES (maximum 6 codes of 3 positions each)</b> 079 140 150 333 720 831						<b>11. SECONDARY PURPOSE CODE</b> 150	
<b>12. SPECIAL CONCERNS CODES (maximum 7 codes of 4 positions each)</b> A. Code BR BL BF BU							
B. Amount							

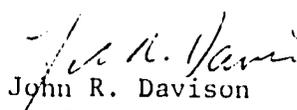
**13. PROJECT PURPOSE (maximum 480 characters)**

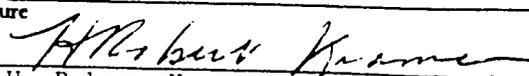
To support private sector efforts to expand and diversify Bolivia's exports of non-traditional products.

<b>14. SCHEDULED EVALUATIONS</b> Interim MM YY MM YY Final MM YY 11 91 11 91 11 93				<b>15. SOURCE/ORIGIN OF GOODS AND SERVICES</b> <input checked="" type="checkbox"/> 000 <input type="checkbox"/> 941 <input checked="" type="checkbox"/> Local <input type="checkbox"/> Other (Specify)			
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**6. AMENDMENTS/NATURE OF CHANGE PROPOSED (This is page 1 of a \_\_\_\_\_ page PP Amendment)**

The USAID Controller has reviewed the financial procedures described herein and hereby indicates his concurrence.

  
 John R. Davison  
 Controller

<b>17. APPROVED BY</b>	Signature 	<b>18. DATE DOCUMENT RECEIVED IN AID/W, OR FOR AID/W DOCUMENTS, DATE OF DISTRIBUTION</b> MM DD YY 11 5 88
	Title H. Robert Kramer Mission Director, a.i.	

PROJECT AUTHORIZATION

Name of Country:     Bolivia  
Name of Project:     Export Promotion  
Number of Project:   511-0585

1. Pursuant to Part II, Chapter I, Sections 103 and 106 of the Foreign Assistance Act of 1961, as amended, I hereby authorize the Export Promotion Project for Bolivia, involving planned obligations of not to exceed Five Million United States Dollars (US\$5,000,000) in grant funds from Section 103 funds and Six Million Five Hundred Thousand United States Dollars (US\$6,500,000) in grant funds (the "Grant") over a five-year period from the date of authorization, subject to the availability of funds in accordance with the A.I.D./OYB allotment process, to help in financing foreign exchange and local currency costs for the Project. The planned life of project is five years from the date of initial obligation.

2. The Project will provide technical assistance and training to strengthen Bolivian institutions involved in exports. Through these institutions, assistance will be provided to Bolivian producers and exporters in identifying, designing and developing exportable products as well as in market development. The Project will also sponsor a pilot pre and post embarkation credit program and support related investment promotion activities.

3. The Project Agreement, which may be negotiated and executed by the officer to whom such authority is delegated in accordance with A.I.D. regulations and Delegations of Authority, shall be subject to the following essential terms and covenants and major conditions, together with such other terms and conditions as A.I.D. may deem appropriate:

a. Source and Origin of Goods and Services

Commodities financed by A.I.D. under the Grant shall have their source and origin in Bolivia or the United States, except as A.I.D. may otherwise agree in writing. Except for ocean shipping, the suppliers of commodities or services shall have Bolivia or the United States as their place of nationality, except as A.I.D. may otherwise agree in writing. Ocean shipping financed by A.I.D. under the Grant shall, except as A.I.D. may otherwise agree in writing, be financed only on flag vessels of the United States. Motor vehicles financed by A.I.D. under the Project shall, except as A.I.D. may otherwise agree in writing, have their origin in the United States.

b. Insider lending

Under the credit component of the project, no loans will be extended to: policy making and management officials of the Central Bank of Bolivia (BCB); similar officials of the intermediate credit institutions (ICIs) which will participate in/the project; directors, officers and management staff of firms auditing the BCB and such ICIs, and members of the immediate families (parents, brothers, sisters and children) of the above individuals.

c. Conditions Precedent and Covenants

1. Conditions Precedent to First Disbursement

Prior to the first disbursement under the Grant or to the issuance by A.I.D. of documentation pursuant to which disbursement will be made, the Grantee will, except as A.I.D. may otherwise agree in writing, furnish to A.I.D., in form and substance satisfactory to A.I.D.:

(i) a legal opinion of the Attorney General of Bolivia, or other counsel acceptable to A.I.D., stating that this Agreement has been duly/authorized, or ratified by, and executed on behalf of the Grantee, and that it constitutes a valid and legally binding obligation of the Grantee in accordance with all of its terms; and

(ii) a statement of the name(s) of the person(s) holding or acting in the office of the Grantee specified in Section 8.2 of the Agreement and of any additional representatives, together with a specimen signature of each person specified in such statement.

2. Condition Precedent to First Disbursement under the Export Credit Financing Project Component.

Prior to the first disbursement under the Grant or to the issuance by A.I.D. of documentation pursuant to which disbursement will be made, for the Export Credit Financing Component except for technical assistance, training and commodities, the Grantee will, except as A.I.D. may otherwise agree in writing, furnish to A.I.D., in form and substance satisfactory to A.I.D., a certification by the Ministry of Planning that the provisions of Supreme Decree 21660 of July 1, 1987 regarding the "Certificado de Reintegro Arancelario" (CRA) to exporters are being implemented.

3. Condition Precedent to the First Disbursement to INPEX.

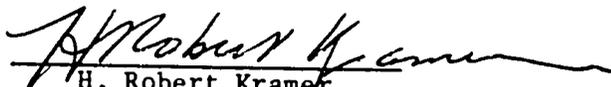
Prior to the first disbursement under the Grant or to the issuance by A.I.D. of documentation pursuant to which disbursement will be made to INPEX, the Grantee will, except as A.I.D. may otherwise agree in writing, furnish to A.I.D., in form and substance satisfactory to A.I.D., a statement that the GOB will provide the necessary support to

INPEX to allow its uninterrupted operation. This support may be provided either from central budgetary resources or from the two percent to be generated from the provisions of the CRA.

D. Covenants

The GOB will agree to maintain a flexible exchange rate: at a minimum the real value of the boliviano will not be allowed to increase in relation to the dollar during the life of the project.

Date:

  
H. Robert Kramer  
Acting Mission Director  
USAID/Bolivia

  
PD&I:AMDíaz/10/15/88

CLEARANCES:

PS:DJessee (in draft)  
DP:LDowning (in draft)  
CONT:JDavison (in draft)  
A/EXO:ECassal (in draft)  
RLA:ADNewton (in draft)

A/PD&I:AMDíaz 

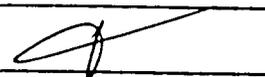
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EXPORT PROMOTION PROJECT  
ACRONYMS

ADAM	Asociación de Artesanía y Moda
ALADI	Asociación Latino Americana de Integración
BCB	Banco Central de Bolivia
BCPE	Bolivian Confederation of Private Entrepreneurs
CAF	Corporación Andina de Fomento (Andean Devpt. Corp.)
CEPB	Confederación de Empresarios Privados de Bolivia
DICOMEX	Dirección de Comercio Exterior
EOPS	End of Project Status
FTZ	Free Trade Zones
GDP	Gross Domestic Product
GOB	Government of Bolivia
IBCE	Instituto Boliviano de Comercio Exterior
IBRD	International Bank for Reconstruction and Development
ICIs	Intermediate Credit Institutions
IDB	Interamerican Development Bank
IMF	International Monetary Fund
INPEX	Instituto Nacional para la Promoción de la Exportación
LOP	Life of Project
NEP	New Economic Policy
NEPI	National Export Promotion Institute
PID	Project Identification Document
PSC	Personal Services Contract
SAFICO	Sistema Andino de Financiamiento del Comercio
UCF	Unidad Crediticia Financiera

## I. SUMMARY

The Government of Bolivia (GOB) is placing major emphasis on the development of the export sector to reactivate the country's economy and create employment. The Reactivation Decree of July 1987 establishes the basis for the design and implementation of policies and programs to attain this objective through the private sector. However, the sector is hampered by institutional, technological, financial, and historical constraints which impede efforts to develop Bolivia's export potential. The Project will finance an integrated package of inputs consisting of technical assistance, training, pre and post embarkation credit, and an information system to address the key constraints.

The goal of the Project is to promote Bolivia's economic recovery and growth by assisting in the development of the export sector. The Project purpose is to support private/public sector efforts to expand and diversify Bolivia's exports of non-traditional products.

In addition to furthering Bolivia's economic reactivation and growth objectives, the Project will alleviate the effects of the reduced foreign exchange earnings accruing to its economy as a result of the successful coca interdiction and eradication efforts currently underway.

The Project will have three components:

1. Institutional Development and Strengthening, under which the Project will provide technical assistance, training and related support to strengthen private and mixed private/public sector institutions engaged in export promotion activities and on the development of non-traditional exports. This assistance will help such institutions develop their capability for providing market information, assisting exportable products, assisting potential investors, and developing mechanisms to facilitate the export of Bolivian products.

2. Product and Market Development, under which technical assistance and related support will be provided to assist Bolivian producers and potential exporters to identify markets and the products that may be exportable. In addition, technical assistance may be provided, through a Bolivian organization, to help individual producer/exporters to: raise their productivity and develop designs conforming to foreign tastes and quality requirements, improve the efficiency of their operations, conserve perishable products, adopt acceptable packaging procedures, etc. Assistance under this component will be limited to activities which are consistent with the Lautenberg, Bumpers and other congressional/amendments, or to activities for which appropriate waivers are approved.

3. Export Credit Financing, under which the Project will establish a pilot revolving credit fund to attend the needs for pre and post embarkation credit of Bolivian exporters. Modest amounts of credit will be provided through Bolivia's banking system as seed capital in answer to one of the major constraints currently facing the export sector.

An A.I.D. life-of-project funding of \$11.5 million is proposed to finance Project implementation activities during a five-year period. This funding will be used as follows (figures in \$000):

1. Technical Assistance	\$2,358
2. Training	125
3. Commodities	175
4. Information Service	345
5. Pilot Revolving Credit Fund	8,000
6. Other Costs and Contingency	497
	-----
TOTAL	\$11,500
	=====

The Government of Bolivia will contribute \$2,100,000 to the Project for credit, and the Bolivian private sector will contribute \$1,900,000 in the form of owners' equity and institutional overhead of participating Bolivian organizations.

#### E. Project Approval Factors

The Project design team which prepared the Project Paper has concluded that the Project has sound financial, economic, institutional, and technical bases to be successful. This conclusion is based on the various Project Analyses carried out by both outside consultants and USAID/Bolivia Officers who participated in the design. The design envisions that activities carried out through the main implementing institutions - INPEX, IBCE, the CEPB, IBCE, and the Camaras de Exportadores - will be self-sustaining after termination of A.I.D. assistance.

The design team also determined that the Project will not have an adverse effect on the environment, and, therefore, a categorical exclusion has been recommended and approved by the LAC Bureau Environmental Officer based on the provisions of Section 262.2(C) of 22 CRF Part 216 on environmental procedures. However, appropriate language will be included in the letters of understanding with Bolivian implementing organizations to assure that project-sponsored activities are consistent with Bolivian environmental laws.

F. Project Design Team

1. The USAID/Bolivia Project Design Team was composed of:

Angel M. Díaz	USAID/PD&I
Clark Joel	USAID/ECON
Jaime Vizcarra	USAID/PD&I
Oscar Antezana	USAID/ECON
Raúl Pinto	USAID/CONT
Sonia Aranibar	USAID/DP
Stephen Smith	USAID/DP
Tim Seims	USAID/PS

2. USAID/Bolivia contracted the services of the International Institute of Science and Technology (ISTI) to assist in carrying out the various Project Analyses. The ISTI team of consultants was composed of:

Robert Landman	Team Leader
Sandra Dunlap	International Marketing Expert
Alvaro Quiróz	Financial Systems Expert

3. The Government of Bolivia counterpart was:

Fernando Cossio	Subsecretary of International Cooperation, Ministry of Planning
Luis Paz	Executive Director, INPEX

4. The local Bolivian private sector counterparts were:

Fernando Tamayo	Director, Development Department
B C B Fernando Cáceres	Deputy Director, Development Department BCB
Javier Murillo	Executive Director, CEPB, La Paz
Francisco Javier Terceros	Manager, IBCE
Franz Ondarza	Director, Cámaras de Exportadores, La Paz

5. The Project was reviewed by the following USAID/Bolivia officials:

G. Reginald van Raalte	Mission Director
H. Robert Kramer	Deputy Director
Edward L. Kadunc, Jr.	Project Development Officer
Reese Moyers	USAID/PS
Anthony A. Funicello	Program Officer
John R. Davison	Controller
John J. Liebner	Executive Officer

## II. PROJECT BACKGROUND AND PROBLEM STATEMENT

### A. Economic Background

Following a long period of military rule and economic deterioration, in 1982 Bolivians formed a coalition government headed by President Hernan Siles Suazo to deal with the country's deep-rooted economic and social problems. However, President Suazo was never able to rule the country effectively. His attempts at economic reform were characterized by political expediency, acceding to the demands of special interests and key political groups, particularly the labor unions.

Large and persistent fiscal deficits fueled by increased current expenditures, an inelastic revenue system and large operating deficits of state enterprises, resulted in substantial Central Bank credit expansion and increases in money supply under the Siles Government. The disequilibrium was aggravated by attempts to control prices and interest rates and peg the official exchange rate at an increasingly overvalued level. As a result, the annual inflation rate increased from 30 percent in 1981 to 22,256 percent by August 1985, while GDP dropped by 19 percent in the same period.

By late 1984, President Siles Suazo's inability to deal with the nation's difficulties and his faltering popular support led to the dissolution of his ruling coalition. To resolve the crisis, presidential elections were held in July 1985, a year earlier than scheduled. These national elections provided the country with its first critical opportunity to continue the democratization process begun in 1982. Victor Paz Estenssoro was elected President and took office on August 6, 1985.

The Paz Estenssoro government moved quickly to stabilize the economy, relying on market forces to allocate resources, set prices, establish wage levels, and fix the value of the exchange rate. Thus, within a month of taking office, the new government promulgated comprehensive economic reform measures designed to control inflation, rationalize government spending, improve the government's revenue base, reactivate productive activities and reorient the economy along private sector, free enterprise lines. Moreover, the government signed an IMF agreement specifying explicit targets for money supply, reducing the fiscal deficit, and increasing international reserves.

TABLE 1  
SELECTED MACROECONOMIC INDICATORS

Average Annual change (%)			
<u>MAJOR TRENDS</u>	<u>1965-80</u> <u>a/</u>	<u>1980-85</u> <u>a/</u>	<u>1985-87</u> <u>b/</u>
GDP	4.5	(4.5)	(0.4)
Inflation	15.7	569.1	107.7
Exports	2.5	(2.4)	2.8
Imports	5.0	(4.3)	(3.4)
Investment	4.4	(9.5)	30.3 <u>e/</u>
<u>RECENT INDICATORS</u>	<u>1985</u>	<u>1986</u>	<u>1987</u>
GDP (% growth)	(0.2) <u>b/</u>	(2.9) <u>b/</u>	2.2 <u>b/</u>
Government Surplus/Deficit (% of GDP)	(12.7) <u>c/</u>	(4.3) <u>c/</u>	(7.5) <u>c/</u>
Trade Balance (\$million)	71.5 <u>d/</u>	(124.1) <u>d/</u>	(303.4) <u>d/</u>
Current Account	(281.9) <u>d/</u>	(349.5) <u>d/</u>	(444.4) <u>d/</u>
Savings (% of GDP)	0.1 <u>e/</u>	3.0 <u>e/</u>	1.5 <u>e/</u>
Investment (% of GDP)	-0.8 <u>e/</u>	6.0 <u>e/</u>	9.5 <u>e/</u>

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Sources: a/ World Bank, "World Development Report," 1987  
b/ Instituto Nacional de Estadísticas, Evolución del Producto Bruto, 1978-1987; and Índice de Precios al consumidor.  
c/ Bolivia--Recent Economic Developments, International Monetary Fund, July 19, 1988.  
d/ Central Bank of Bolivia  
e/ Bolivia--Updating Economic Memorandum, Document of the World Bank, June 2, 1988.

The main measures of the New Economic Policy (NEP), otherwise known as Supreme Decree 21060, included a substantial devaluation along with the unification of the exchange rate (which resulted in a significant increase in the price of gasoline and other revenue producing products), elimination of most interest rate ceilings, removal of restrictions on imports and exports, tax and tariff reform, a wage freeze for public employees, liberalization of labor laws, reduction in credit expansion to both public and private sectors, and elimination of all price controls, except for state-marketed goods and services (the prices of which were increased in order to eliminate the substantial operating deficits of state enterprises).

The results of these policies have been encouraging. The rate of increase in the consumer price index was reduced from 22,256 percent in 1985 to about 66 percent between December 1985 and December 1986, and to about 10.7 percent between December 1986 and December 1987. As a proportion of GDP, the budget deficit of the consolidated public sector declined from 30 percent in 1984 to 13 percent in 1985, and to 4.8 percent in 1986. This ratio increased to 7.5 percent in 1987 partly as a result of Argentina's failure to make payments for Bolivia's past gas export deliveries. The annual rate of bank credit expansion to the public sector declined from 18,500 percent in 1985 to 21 percent in 1987, with a nearly parallel reduction in the rate of credit expansion to the private sector. As a result, the rate of increase in the money supply (M1) declined from around 6,000 percent in 1985 to only 38 percent in 1987.

The IMF Team that visited Bolivia from August to September 1986 found the GOB in full compliance with all June 30, 1986 targets in its Stand-By Agreement, except for the reduction of arrears to private suppliers, which was remedied by mid-July 1986. By October 1987, the GOB was facing difficulties in meeting one of the IMF's pre-conditions for the EFF agreement - that relating to the budget deficit - a problem that is being corrected through vigorous GOB efforts to cut back expenditures, particularly those of state enterprises. In the spring of 1988, the IMF and the IBRD sent a team to Bolivia to develop, jointly with the GOB, an Economic Policy Framework Paper for 1988-91 to serve as the basis for an Expanded Structural Adjustment Facility loan jointly financed by the IMF and the IBRD. Agreement with the GOB was reached and a recommendation for SDR 136 million (about \$188 million), to be disbursed over a three-year period, was submitted to, and subsequently approved by, the IMF Board. In addition, in May 1988, the World Bank approved an IDA financed SDR 50.6 million (equivalent to \$70 million) Financial Sector Adjustment Credit to increase confidence in the banking system, mobilize savings, strengthen the financial condition of banks and reduce the high cost of credit.

The main task now confronting the GOB is to reactivate the economy, which declined by 2.9 percent in real terms in 1986. The real per capita GDP fell by about 25 percent during the 1981-86 period. To arrest this decline, the GOB issued on July 10, 1987 the Economic Reactivation Decree which contains a follow-on strategy to the NEP. The reactivation strategy establishes the ground rules for a market-based economic recovery program and relies heavily on export promotion. In 1987, the economic grew by 2.4 percent and the GOB's goal is to achieve a 3.5 percent yearly GDP growth rate over the next three years.

The Economic Reactivation Decree established an Extraordinary Fund for Economic Reactivation of \$100 million to finance working capital requirements of the productive private sector and to provide seed money for low income housing construction. The Decree also includes: a plan for settling the external public debt owed to foreign banks; a set of regulations to rehabilitate the banking system and to establish an effective supervisory mechanism of financial institutions; lowered interest rates on loans to the productive sector financed with external concessionary funds; lowered charges for energy and transport services; and formulates a strategy to promote non-traditional exports with preferential freight rates for exports on the national railway system.

Recognizing the vital role of the export sector in the GOB's reactivation and growth objectives, the decree reinstated the Tariff Refund Certificate (which refunds import duties on imported goods used for export production but has still to be put into effect). It also establishes the National Institute for the Promotion of Exports (INPEX) as an autonomous institute with mixed public private representation on its Board of Directors, to coordinate non-traditional export promotion activities.

## B. The Problem

### 1. Recent Trends in Exports

Bolivia's exports and its foreign exchange earnings have been subject to three severe shocks in recent years. First, international tin prices declined by 52 percent between 1985 and 1986. Second, Argentina, Bolivia's only export market for natural gas, was able to negotiate a much lower price than the GOB had anticipated for its natural gas - which was translated into a 12 percent reduction in earnings in 1986 followed by another 29 percent in 1987. (This has been due principally to discovery and exploitation of natural gas fields in Argentina itself and the worldwide price decline of petroleum.) Third, the GOB has undertaken determined efforts, with USG support, to interdict cocaine production and exports. While the contribution of this product to net foreign exchange earnings accruing to the national banking system is not precisely known, the evidence suggests that it is substantial, possibly in the range of \$150 million to \$250 million

annually. Finally, the unit prices of a whole range of minor exports declined over the 1981-1986 period, including the prices of tungsten, lead, zinc, soybeans, coffee and timber.

As a result of these factors, the total value of Bolivia's registered exports plunged from \$1,048 million in 1981 to \$487 million in 1987 (see Table 2), a decline of 53%. Much of this reduction is undoubtedly due to the drop in tin exports (the decline in volume paralleled the fall in price) which has practically disappeared as a significant source of foreign exchange earnings, as well as to the drop in the price of gas sold to Argentina. Total mineral exports (other than gas and petroleum products) fell from \$640 million in 1980 to only \$264 million in 1985, and to \$121 million in 1987 (Table 2).

Trends in non-traditional exports are presented in Table 2.

TABLE 2  
VALUE OF BOLIVIAN EXPORTS

	<u>(millions of dollars)</u>		
	<u>1980</u>	<u>1985</u>	<u>1987</u>
<u>TRADITIONAL PRODUCTS</u>	<u>885.2</u>	<u>636.7</u>	<u>377.0</u>
Minerals	640.1	263.8	120.9
Hydrocarbons	245.1	372.9	256.1
 <u>NON-TRADITIONAL</u>	 <u>163.2</u>	 <u>38.2</u>	 <u>110.1</u>
Timber	23.9	4.3	22.9
Beef/Livestock	1.3	1.2	6.7
Coffee	20.6	13.9	11.5
Soya & products	6.9	5.3	18.3
Sugar	50.5	1.8	8.6
Wood products	8.8	1.4	8.2
Brazil nuts	2.8	1.5	6.9
Cotton products	1.0	0.7	6.8
Other	<u>47.4</u>	<u>8.1</u>	<u>20.2</u>
 TOTAL	 <u>1,048.4</u>	 <u>674.9</u>	 <u>487.1</u>

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Source: Data compiled from DiCOMEX documents.

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The data for non-traditional exports show a very sharp decline between 1980 and 1987. The drop over 1981-85 is due mostly to the highly overvalued exchange rate over 1984-85, which discouraged exports and induced exporters to under-declare the value of exports and keep export proceeds abroad. However, despite the significant recovery of non-traditional exports in 1987, they are still substantially below the 1980 level (\$110 million in 1987 versus \$163 million in 1980). This situation suggests that the provision of adequate incentives and/or the removal of institutional and policy obstacles could be expected to return exports of non-traditional products to their former level. As discussed later in this Project Paper, the development and strengthening of relevant institutions to deal effectively with such obstacles is a prime objective of the proposed Project.

## 2. Constraints to Export Development

The GOB presently is addressing most of the major constraints which are impeding development of the export sector. Nevertheless, important areas of constraints remain and will continue to affect exports of non-traditional products until they are removed. The major obstacles, and the ranking by consultants of these constraints in terms of their importance for the major non-traditional export products, are summarized in Table 3. A detailed discussion of the major constraints follows.

TABLE 3

### PRIORITY CONSTRAINTS TO EXPORTING IN KEY OPPORTUNITY AREAS

<u>OPPORTUNITY AREA</u>	<u>Policies</u>	<u>Infrast.</u>	<u>Mkt.Access</u>	<u>Finan.</u>	<u>T.A.to Producers</u>
Soya & Products	4	1	3	2	5
Lumber & Wood Prod.	5	3	2	4	1
Coffee & Cocoa	5	4	3	1	2
Livestock	3	2	1	5	4
Flowers & Fruits	5	4	1	2	3
Cotton Products	1	5	2	4	3
Leather Products	3	5	2	4	1
Artisan Products	4	5	1	2	3
Other Manufactures	1	5	3	4	2
Exports to L.A. Mkts.	<u>2</u>	<u>5</u>	<u>1</u>	<u>3</u>	<u>4</u>
AVERAGE	3.2	3.8	1.9	3.1	2.8

Key: Priority rankings: 1=highest; 5=lowest

Source: Report prepared by ISTI Consultants, June 1988.

a. Inadequate Institutions

Bolivia's institutions (e. g., Dicomex in the Ministry of Industry and Commerce), traditionally in charge of promoting exports, lack the required qualified personnel to develop and implement appropriate policies and programs to promote exports. As a result, public policies have been erratic and oftentimes detrimental to the growth of the export sector. The neglect of the sector until recently has led to a lack of overall institutional capability, both in the public and private sectors, to perform an effective role in taking advantage of export opportunities and to compete effectively with other countries in the region in international markets, even in cases where Bolivia could have a comparative advantage.

The different Bolivian institutions involved in the development of the export sector are dispersed within several government offices. No coordination exists among them and it is necessary to reorient their functions and responsibilities. In the past, there has been friction among these institutions. Because of that, the current GOB is interested in creating a decentralized, effective, private sector-oriented organization that would be directly involved in the promotion of exports. The creation of this institution is included in the July 1987 Reactivation Decree, and its organization (INPEX) is now in its initial stages.

Bolivia's institutional deficiencies are manifested in many ways:

- o Public institutions have been unable to provide the necessary support and leadership to negotiate bilateral agreements on preferential market access and foreign investment. They have also been unable to take advantage of the intra-regional integration agreements, such as ALADI and the Andean Pact.
- o There is an absence of a strong nationwide organization that promotes exports and provides information and support to interested companies and investors.
- o Personnel in public and private institutions who are engaged in export activities lack the required knowledge of export financing mechanisms and procedures, and the in-depth knowledge of the complexities of market development and international trade. Compounding this problem, Bolivia does not have an information system to keep potential exporters abreast of export markets, opportunities and prices. The institutional basis for this purpose does not exist. Traditionally, BCB staff were not aware of the needs of the private export sector and, as a consequence, did not fully comprehend the need for timely processing of loans.

- o Paperwork requirements related to exports are prolonged and burdensome, e.g., they involve a considerable number of signatures and the participation of several public agencies to secure clearance for the export of any product.
- o Economic incentives to induce potential producers to seek export markets do not exist or are inadequate.

b. Inadequate Technological Capability and Experience

Historically, Bolivia's producers have been relatively isolated. They are used to producing for a protected domestic market which, since August 1985, has been thrown open to competition by foreign producers. Production efficiencies and the quality of its products have, generally, been below international standards, therefore hampering Bolivia's ability to compete effectively in international markets.

The limited size and stagnation of the internal market compounds this problem. While a dynamic, expanding and competitive internal market would help potential exporters in facing the challenges posed by demanding foreign markets, the protected environment and the less demanding internal market have prevented potential exporters from acquiring such experience.

This situation is changing, however. The free enterprise orientation of the current government, and a package of incentives being developed to promote exports, are forcing local entrepreneurs to look for ways to survive in a more competitive atmosphere and to start looking at foreign markets.

c. Financial

There is a lack of adequate credit lines to finance the required working capital to produce the goods and meet pre and post shipment credit needs of exporters. In the past, the Andean Development Corporation provided some financing to Bolivian exporters through the Sistema Andino de Financiamiento del Comercio, a program known as the "SAFICO" system. Also, the specialized credit lines which the Bolivian Central Bank had are no longer available; these may be revived as part of the measures included in Reactivation Decree No. 21660 of July 1987, but their scope and limitations are not yet known. The lack of adequate credit is compounded by the absence of a functioning capital markets system and inefficiencies in the banking system, as explained below. On the other hand, two credit lines - CAF and IDB - are now available to exporters. Current data on the demand supply/credit situation for pre and post export financing will be discussed in greater detail in Parts IV and VIII.

The Bolivian banking system is fragmented, de-capitalized and inefficient. The system's failure to perform adequately its intermediation functions constitutes one of the most serious obstacles to the Government's current economic reactivation program and the strengthening of the export sector.

Close to 20 private banks, associated with major private sector economic groups, emerged in the 1960s and 1970s. These banks, together with five branches of affiliates of foreign banks, four "special function" private sector credit institutions, and four public sector financial institutions, in addition to the Bolivian Central Bank, provided a fairly satisfactory vehicle for medium and long-term loans. There was also a savings and loan association with 13 member associations.

During the 1980-85 period, hyperinflation, political instability and labor unrest sharply lowered economic activity and severely curtailed the banking system's ability to satisfy the nations's credit requirements. The lack of a properly functioning banking system and the critical situation of the Bolivian commercial banks represent major constraints to export development. To some extent, these constraints will also be addressed through the companion Strengthening Financial Markets Project, which has been already authorized.

d. Inadequate Infrastructure

Bolivia's physical infrastructure in support of the export sector is inadequate and inefficient. This results in high transport and energy costs. The Economic Reactivation Decree of July 1987 lowers freight and electricity rates, but the problem of improving the infrastructure, particularly the construction of new roads and the improvement of the railroad system, remains, and can only be resolved gradually over a period of years. This places Bolivian exporters (especially in the industrial sector, which accounts for about 15 percent of total non-traditional exports and whose raw material imports account for 20 to 50 percent of the gross value of the manufactured output) at a disadvantage with competing foreign exporters. Specific problems include: lack of facilities (river ports for grain, roads, appropriate rail cars, etc.); quality of service (e.g., rail service to Brazil); and cost. This means that Bolivian companies must increase their productivity and reduce their costs to make up for high transportation costs and/or continue to be limited to markets where regularly scheduled airfreight is available.

e. Policy

The policy framework is a constraint to the extent that it involves negative export incentives. This applies both to policies that make Bolivia less competitive in relation to its foreign competitors, as well as to those that cause investment opportunities in export products to appear less attractive than product on for the

domestic market. In Bolivia, the incentive systems appear to have anti-export biases. Most serious is the apparent overvaluation of the currency. This results in high input costs (including labor), while making exporting less attractive than other activities (such as importing).

Another example of a distorting policy is the comparative protection given to import substitutes (the 20% uniform tariff). No similar incentive is extended to exporters. Since exporting tends to involve higher risk and lower profit margin than production for the domestic market, it is unreasonable to expect much interest in exports until the incentive system is seriously addressed.

f. Ability to Access Markets Outside Latin America

This is primarily a constraint for products other than commodities. Most producers of commodities can sell through international brokers and trading companies. Other products, such as furniture, specialty fruits and flowers, and artisan goods, tend to have highly segmented markets with complex channels of distribution. Producers have to be able to find the appropriate niche where they can competitively meet market specifications, and the correct channel for distribution. This tends to be a trial and error process which is costly, time-consuming and frustrating to the exporter. The small scale of Bolivian producers means that few can justify such a large expense based on their relatively small export potential. Consequently, they need technical expertise to help shortcut the process, or have to look to a long-term relationship with an intermediary who will provide access to the market (e.g., a U.S. firm that subcontracts production). For exporters to Latin markets, the need is for treaties that provide preferential access.

g. Inadequate Know-How

In general, Bolivian firms lack the technical know-how (and capital) to reorient production to meet market specifications. The problem is that most Bolivians do not fully appreciate how demanding U.S. and European markets are ~~very demanding~~. Technical problems include: product design; production layout; volume production; quality control; productivity; packaging and presentation; meeting foreign health and other regulations. The lack of know-how also applies at the product or sector levels, suggesting the need for product-specific feasibility studies.

3. Implications of these Constraints for the Export Promotion Project

Bolivia is caught in a difficult situation of having to develop substantial exports and compete in sophisticated world markets from a position of considerable disadvantage. The purpose of this

project is to focus on elimination of constraints and at the same time, develop the comparative advantage that the country has (or could achieve) in particular areas. The Project will seek to achieve its goal by pursuing a comprehensive export promotion strategy. Specific tasks include:

a. Policy framework - Institutional strengthening of INPEX, a mixed public-private organization, which should provide a unique opportunity for policy dialogue at the highest levels. Also opportunities will arise through the institutional strengthening of private exporter associations such as the "Cámara de Exportadores" financing of studies to determine key policy issues and their impact on competitiveness; efforts to streamline regulatory procedures; and programs to develop a better understanding of issues and build a strong export promotion constituency in both the public and private sectors.

b. Infrastructure and Transportation - Since the primary need is for costly infrastructure, this would not be an appropriate use of funds from this project. However, AID will explore the possibility of inducing other donors to meet some of the needs in this area.

c. Access to markets - Significant resources will be dedicated to help Bolivians identify and understand foreign markets (market studies, identification of buyers/partners, trade shows, etc.). In addition, support will be given to promoting partnerships between larger scale firms or intermediaries, and smaller scale Bolivian producers. Also, assistance may be provided to negotiators responsible for bilateral and multilateral trade agreements.

d. Sector level technical assistance and training - The Project, in concert with other USAID-sponsored programs, such as the Agricultural Producers Organizations, will facilitate technical assistance to producer associations willing to make a commitment to reorienting their production, and whose products show sufficient potential to warrant support.

e. Financing - Easy access to a short-term credit fund will be established to allow existing exporters to quickly expand production. Some of the reflows may be used to set up a guarantee fund to support more commercial bank financing of new exporters.

### III. PROJECT RATIONALE AND STRATEGY

#### A. Rationale

There are powerful arguments supporting Bolivia's emphasis on export development, as reflected in the Reactivation Decree of July 1987. First, Bolivia suffers from a serious shortage of foreign exchange, a problem that will become significantly more acute as a combined result of declining cocaine prices in the international market and the continuing successful implementation of the narcotics interdiction program. Bolivia's debt service is exerting strong pressure on the balance of payments: the ratio of debt service due to merchandise exports in 1988 could be as high as 95%, while the ratio of the debt service payments that must be made (after rescheduling) to merchandise exports is estimated at 61%. Moreover, Bolivia's merchandise trade balance has deteriorated from a surplus of US\$71 million in 1985 to a deficit of US\$124 million in 1986 and US\$303 million in 1987 (See Table 1). Mission projections indicate a continued deficit of US\$260 million in 1988 and in 1989. According to official Central Bank estimates, Bolivia's deficit on current account was US\$282 million in 1985, US\$350 million in 1986 and US\$444 million in 1987 (See Table 1). USAID/B projects it at US\$412 million for 1988 and US\$437 million for 1989. These large deficits are attributable both to a decline in exports (22% between 1985 and 1987) and to an increase in imports (41% in the same period). The current account deficits were mostly made up through debt rescheduling, official loans, the non-payment of interest on public and private debt, and substantial earnings from the informal sector. Clearly, Bolivia cannot continue to rely on these sources of finance.

Second, Bolivia's current account deficits are likely to be further aggravated in the near future for the following reasons: a) further declines in the price of natural gas sold to Argentina, Bolivia's most important export, over the next years (its price was lowered by 12% in 1986, 29% in 1987, and could decline again by about 13% in 1988); b) Argentina, Bolivia's major client for natural gas, has been having great difficulty in paying for Bolivia's gas export deliveries; its arrears as of the first semester of 1988 stand at US\$107.5 million; and c) Bolivia's contract with Argentina for gas exports terminates in 1992, after which only half of the amount currently exported may be sold to Brazil (assuming completion of the gas pipeline by that time). Bolivia's efforts at narcotics interdiction and eradication will further erode this important source of foreign exchange earnings. While there are no reliable estimates on the contribution of narcotics exports to Bolivia's balance of payments situation, USAID/B estimates that this contribution might be in the range of US\$150 million to US\$250 million annually. For these reasons, there is an urgent need to find substitutes for the sharp and continuing contraction of foreign exchange earnings from both traditional and narcotics exports.

Third, Bolivia has no feasible alternative to the adoption of an export oriented development strategy. Experts agree that a policy of import substitution is not a viable alternative for a small low-income country. The internal market is much too small to offer attractive outlets for new products or for increases of output. Moreover, Bolivia's internal market has contracted (domestic spending has declined by 12%, in real terms, since 1980) partly as a result of the plight of the traditional export industries, the blow dealt to public confidence by the hyperinflation and dedollarization, and the prolonged depression that has prevailed since 1982. Alternatives to an export promotion strategy are unattractive: a further cut-back of imports (which declined by 27% between 1981 and 1986) is almost certain to interfere with economic reactivation; while dependence on increasing levels of economic assistance is unrealistic. On the other hand, in the Bolivian context, non-traditional exports, which consist mainly of agricultural, agroindustrial and light manufacturing products, are labor intensive and could have a significant impact in reducing Bolivia's current high unemployment rate and expanding the domestic economy.

Fourth, available studies, such as the Morawetz Report for the World Bank and the IDB-JUNAC sponsored study, indicate that Bolivia has a substantial potential in the agro-industrial area, particularly in the Santa Cruz region. Bolivia's potential in the mining of products other than tin cannot be written off. The country appears to have a good base for the substantial expansion of products other than natural gas and tin. The products which currently appear to have most promising export potential are listed in the Economic Analysis Section of this paper.

Fifth, the structure of Bolivia's economy must be altered, and an export diversification strategy must play a key role in the needed restructuring. There is a general consensus that Bolivia is far too dependent on a single export product--previously tin and currently natural gas--that causes the country to be extremely vulnerable to the price fluctuations of a single primary product and/or places it at the mercy of a single market. Bolivia must diversify its foreign exchange earnings as well as broaden its sources of national income and GDP growth.

Sixth, the fact that Bolivia achieved US\$163 million in non-traditional exports in 1980 (which recovered to US\$110 million in 1987) proves that Bolivia has both capacity and potential in the area. Recent estimates on projected non-traditional export values for 1991 as estimated by the IBRD (at US\$283 million), the BID-JUNAC consultant team (US\$480 million) and the GOB itself (US\$215 million) clearly confirm that the USAID's projection for recovery and growth of non-traditional exports to US\$186 million by 1991 (See Table in Annex A Page 2 of Project Analyses Summary) is conservative, particularly if the major remaining obstacles to export development are effectively addressed.

Seventh, as discussed in Part II, the number of obstacles that impede the expansion of non-traditional exports explain why the potential could not be realized in recent years. However, given the more appropriate atmosphere brought about by the present government, a significant increase in exports may be expected once the immediate, major obstacles are removed. As discussed in the constraints section, these include inadequate institutions, absence of informational systems linking potential exporters to overseas markets, lack of knowledge of international finance and market prospects, insufficient export incentives and absence of a strong nationwide organization promoting exports, unavailability of export credit at reasonable cost and excessive bureaucratic paper work.

Finally, the GOB now places major emphasis on export promotion. The Reactivation Decree -- and policy statements by the Ministers of Planning and Industry -- emphasize that the government has firmly opted for a strategy of export development to provide the major push for economic reactivation and development. In addition to creating the Institute for the Promotion of Exports (INPEX), the decree authorizes the establishment of a free zone, institutes the "Certificado de Reintegro Arancelario" (designed to compensate for the payment of import duties on imported inputs), and promises to give priority to exporters in the allocation on credit. The decree also provides for substantially lower rail and air freight rates for export products. (See Annex G for details on the package of incentives to the export sector contained in Title V of the July 10, 1987 Reactivation Decree).

## B. Project Strategy

### 1. Basis for the Strategy Chosen

The export sector is expected to play an important role in the government's program to reactivate the economy and set the basis for sustained growth. Despite the remarkable achievements by the current government in overcoming the hyperinflation of recent years, it has not yet been able to reactivate the economy. The drastic economic contraction, amounting to 4.5% per year between 1980 and 1985, has been replaced by stagnation. In 1986, the GDP fell an additional 2.9%. A mild recovery (2.2% GDP growth) occurred in 1987, an increase still below the rate of population growth.

The traditional engine of growth is unlikely to reactivate the economy at this juncture. Bolivia has historically relied on exports of tin (and more recently hydrocarbons) to finance a costly import substitution strategy, combined with substantial foreign borrowing to finance investment projects and operating deficits. Not only has this traditional source of income declined drastically due to lower tin and gas prices, but borrowing from foreign banks is no longer a viable

alternative. The government lacks resources to stimulate demand while low levels of per capita income limit consumption and opportunities for greater production for the domestic market. In addition, extremely low savings rates imply that most of the investments required must continue to be externally financed over the next three to five years.

Since domestic consumption, government spending and investment in import substitution activities cannot reactivate the economy, a major part of a solution is substantial expansion of exports. The export sector is the only one capable of stimulating domestic consumption (through increased income), increasing government revenues and providing the foreign exchange needed to finance imports for all productive sectors.

The export sector, however, has not performed well in recent years. As can be seen in Table 2, total exports declined 36% in value between 1980 and 1985, and an additional 28% over 1985-87. This cannot entirely be attributed to a decline in "traditional" exports, since "non-traditional" exports fell 77% between 1980 and 1985, before recovering part of the ground lost. In 1986-87, non-traditional exports were still 32% below the 1980 level.

In other words, all export products have suffered major fluctuations, generally in a negative direction. Major reasons for this situation include: decline of world commodity prices; reduction of U.S. sugar quotas (the largest Bolivian non-traditional product in 1980); the period of hyperinflation and its dampening effect on exporting; and the contractions of Latin American economies, which absorb about 60% of Bolivian products.

If the export sector is to be the principal engine of economic reactivation it will require dramatic expansion. For example, non-traditional exports would have to triple to more than \$300 million just to compensate for the decline in traditional exports. Even larger increases would be required to reduce unemployment rates significantly.

The fundamental obstacle to export growth of this magnitude is lack of productive capacity suitable for export. Expansion would require new investment in production and infrastructure. Existing underutilized capacity in the manufacturing sector is generally not suitable for exports. Products have been designed for local tastes and standards of quality (usually undemanding), while scales of operation are usually too small to meet international requirements.

Only 30 companies currently export over \$1,000,000 each, while an additional 15 firms export \$500,000 to \$1,000,000. This indicates that relatively few companies are established primarily to produce for external markets. Other firms have concentrated on activities which apparently are more attractive within the Bolivian

incentive system - importing, import substitution, real estate, etc. Thus, the key challenge facing Bolivia is how to encourage many more entrepreneurs, local and foreign, to invest in production for export markets. This requires formulation of the appropriate policy framework, development of essential infrastructure, alleviation of principal constraints to investment and exports, and aggressive promotion of investment in key opportunity areas.

Bolivia has two general markets for its products - Latin American countries within the Andean Pact and ALADI, and non-regional markets such as the U.S. and Europe. Since most Latin countries have high protective barriers, these markets are generally accessed through the negotiation of bilateral or multilateral treaties. This preferential access to markets, where imports from most countries cannot enter easily, implies that quality, price and volume requirements are not as difficult to meet as would be the case in Europe and the U.S. A broader range of Bolivian products can be "competitive" in these markets.

Products with opportunities in regional markets include: soya, cattle and hides, lumber, rubber, cotton yarn and wood products. Most of these exports are used as inputs for industries in the importing countries. Occasionally, arrangements can be negotiated to export selected manufactured products such as fabricated metal. However, the existence of potential import substitution industries in most Latin countries suggests that only primary and intermediate goods, as well as specialized foodstuffs, have any real potential. Exports to non-Latin markets are considerably more complicated. Not only are Bolivia's geographic location and terrain serious obstacles, but producing for these markets implies competing with worldwide production, and meeting international quality, price, timeliness and volume requirements.

There are only two ways to penetrate these markets: by providing a price advantage or a clearly differentiated product. The former implies the need to identify product categories where Bolivia has a natural comparative advantage. The second requires compensating for the lack of cost advantage by focusing on quality, service or other differentiated customer needs. However, this is extremely difficult to achieve for a country with no export tradition outside of commodities.

Nevertheless, Bolivia seems to have a natural comparative advantage in a number of resource-based industries. The Santa Cruz region reportedly is so fertile that high yields of soybeans and other grains can compensate for other cost disadvantages. Specialty tropical hardwoods, which are in high demand and supply worldwide, present the second major opportunity area. Other possibilities, based on appropriate climatic conditions, include cut flowers, specialty fruits and nuts, cotton and cotton products and other agricultural products. Leather and leather products could be significant if major structural problems are addressed (such as the elimination of payment of hides to municipal governments as a tax, resulting in poor treatment procedures).

At present, it is difficult for Bolivia to compete on a cost basis in non-Latin markets for manufactured products. Transportation costs for imported inputs and exports are high, while local labor costs and other inputs are not advantageous compared to other low cost producers. This means that manufacturers with limited or no export experience would have to develop differentiated products or identify very special market niches. Opportunities here are limited in the near to medium future. The only exception might be applying artisan skills to specialized labor intensive products such as jewelry, apparel, or wood products such as furniture, based on market specifications. (Note this is different from selling artisan products or handicrafts.)

## 2. The Strategy

The Project strategy calls for removal of the major constraints which impede Bolivian exports. The Project will do this through a package of inputs consisting of technical assistance, training, working capital credit, and an information system to help Bolivia attain its export potential. The Project will be carried out through private and/or mixed private/public sector institutions.

Project implementation will be closely coordinated with other donor projects which also seek to help Bolivia in meeting economic growth objectives through increased exports. The Project will serve as a catalyst to enlist participation of key donors, particularly the IDB and the World Bank, in working with concerned public and private sector institutions in addressing constraints to expanded non-traditional exports. The Project Manager, in concert with implementing organizations, will develop a plan to accomplish this donor participation by the PACD.

The Project will be used to further policy dialogue with the GOB, particularly in the area of export policy design and implementation. In this respect, the GOB will be expected to implement measures to promote non-traditional exports including: identification and simplification of bureaucratic procedures that currently impede the development of new exports, and evaluation of the feasibility of eliminating or reducing royalties on non-traditional exported products.

The strategy primarily entails helping concerned institutions in establishing systems, mechanisms, and simple but effective credit procedures to facilitate the export of non-traditional Bolivian products. Pre and post embarkation credit will be provided indirectly through intermediate credit institutions to exporters; assistance of a product-specific nature would be provided indirectly through INPEX or a selected private institution.

C. Current GOB and Other Donor Programs

1. GOB Programs

The Reactivation Decree emphasizes the need to promote non-traditional exports, recognizing that Bolivia is in an extremely vulnerable position by relying heavily on a single export product for most of its foreign exchange earnings (tin until 1985, sales of natural gas to Argentina since then). Moreover, Argentina has progressively reduced the price of natural gas and is expected to continue to do so. Thus, the Decree adopts the following policy measures to promote non-traditional exports:

a. Reinstates the "Certificado de Reintegro Arancelario" (CRA), which is a refund for import duties on imported inputs paid by exporters. This certificate amounts to 10 percent of the value of all non-traditional exports, and will be accepted in payment of all taxes.

b. Creates the National Institute for the Promotion of Exports (INPEX) as an autonomous private/public sector institute under the supervision of the Ministry of Industry, Commerce and Tourism. It is to be financed by the general Treasury as well as through contributions from the private sector. The Institute will: study all problems relating to the promotion of exports, undertake market studies, provide technical assistance to exporters on packaging, technology, quality control and merchandising; organize a data bank; undertake training activities in the export promotion areas; promote the marketing of Bolivian products abroad; and, as appropriate, contract foreign marketing or other experts. The Board of Directors of the INPEX was officially formed on October 27, 1987 and is composed of: (1) The Minister of Industry and Commerce as Chairman, and a representative from each of the Ministries of Agriculture, Transport, Foreign Affairs and Mining; (2) a representative from the Central Bank; (3) Ten representatives from the private sector, including the President of the Bolivian Confederation of Private Entrepreneurs, and a private sector representative from each of Bolivia's nine geographic departments.

c. Authorizes the establishment of a free zone ("zona franca industrial") in the national territory which will be entitled to special treatment for imported inputs.

d. Provides preferential rail freight rates for export goods: these will be equal to only 40 percent of the rates charged for imported merchandise on the national railway system.

2. Other Donor Programs

Other donors are assisting with the financing of studies to help the GOB with recommendations to stimulate the export sector. A study that is expected to be very relevant to the implementation of this

Project is currently being carried out under the auspices of the IDB and the Junta del Acuerdo de Cartagena (The Andean Pact). The report has been completed and will be used, as necessary, as an information base in the implementation of this Project.

The World Bank has also provided assistance to study the situation and constraints faced by Bolivia's export sector. USAID/Bolivia's analysis of such constraints, is largely consistent with this and other studies on the situation of the export sector in Bolivia.

Other donor financial assistance consists of the following:

a. An IDB loan for \$5.0 million and a loan from the Andean Development Corporation (CAF) for \$20 million, both of which are for imports of raw materials and intermediate goods, some of which are used for manufacturing for exports. There is also an IBRD credit line of \$3.0 million from the Reconstruction Import Credit Program (RIC) II.

USAID/Bolivia inquiries suggest that the sum of all current export credit lines--those of the Central Bank, IDB, the CAF and AID under this Project - will not meet the total demand for pre and post embarkation credit for non-traditional exports (See Annex 1.B - Financial Analysis.)

Such inquiries and preliminary analyses show a demand for a revolving credit fund of \$55 to \$70 million turning over twice a year for pre and post embarkation credit for non-traditional exports. This amount would be required to raise such exports from \$110 million in 1987 to about \$186 million by 1991. The combined amount that will be provided by the above donors is only \$28 million, leaving a gap of \$27 to \$42 million.

#### D. Project Benefits

It is expected that the proposed Project will contribute significantly to the expansion of non-traditional exports. However, several other factors are expected also to boost simultaneously non-traditional exports during the next five to ten years. USAID/Bolivia projects total earnings of non-traditional products to rise from about \$101 million in 1988 to \$156 million in 1990 and to \$186 million in 1991 an increase of about 84% over this three-year period. (See Section VIII.A., Table 5.)

While this increase may appear optimistic, it should be kept in mind that non-traditional exports had reached \$163 million in 1980. Thus, the projection to 1990 would almost achieve the pre-crisis level, particularly since the projection is in current dollars; while the projection to 1991 assumes an increase of over 14% over 1980. The recovery is expected to be particularly strong in the case of timber and wood products, soybeans and sub-products, coffee, Brazil nuts, and

"other" products, mostly falling into the agriculture and agro-industrial categories.

The major factors expected to contribute to the 84% increase of non-traditional export between 1988 and 1991 include, in addition to this project, gradual recovery of private sector confidence in the country's political stability and in the continuation of the economic policies of the present government (with their emphasis on free markets and export promotion); adoption of additional policy measures designed to stimulate exports, especially swift implementation of the Tariff Refund Certificate; adoption of a flexible exchange rate and the provision of pre and post export credit. The main macro and micro economic benefits include:

a. Macro-economic Benefits

- Contribution to GDP growth and to the economic reactivation process.
- Reduction in trade and balance of payments deficit, and improvement in net international reserves.
- Increase in private sector employment.
- Contribution to growth of private sector.
- Increase in private sector investment, particularly in non-traditional export production.
- Attraction of foreign capital and technology.

b. Micro-economic Benefits.

- Existing private sector export companies will become more efficient and competitive.
- New export companies will be founded, creating jobs and contributing to public revenues.
- Quality will improve through provision of technical assistance, increasing productive outputs and competitiveness.
- Incentives will be provided for the formation of new companies which could produce for export markets.

#### IV. PROJECT DESCRIPTION

##### A. Goal

The Project goal is to contribute to promote Bolivia's economic recovery and growth by assisting the development of the export sector. The Project will contribute to the overall USAID/Bolivia objectives of economic growth and development, and the creation of jobs, through promotion of increased investments in productive non-traditional export-oriented enterprises. As the volume of non-traditional exports expands, greater economic growth and foreign exchange earnings will result, strengthening the Bolivian economy and creating additional employment. Attainment of the Project goal assumes continued political stability and sustained GOB commitment to support the export sector.

##### B. Purpose

The Project purpose is to support private and public sector efforts to expand and diversify Bolivia's exports of non-traditional products. Achievement of this purpose depends on sustained efforts to: reduce regulatory and administrative barriers to exports; provide adequate incentives to the private sector to expand exports; make available necessary technical and credit assistance to the private sector and related institutions engaged in export development activities, as well as to producers and exporters of non-traditional products.

##### C. End of Project Status (EOPS)

The major measures of Project performance (EOPS) will be:

###### 1. Strengthening of export promotion organizations:

-- The IBCE and INPEX will have been strengthened to the point they are measurably able to provide effective assistance to Bolivian exporters. Progress in attaining this target will be measured in terms of:

\*\*the degree to which such members have succeeded in expanding their exports; types of technical assistance provided to members and number of members that have been served;

\*\*the size of operating budgets of these organizations;

\*\*the number and dollar amount of investments promoted to finance export and export-related industries.

###### 2. Key private sector institutions (Cámaras de Exportadores, Confederation of Private Sector Entrepreneurs, IBCE, INPEX) offering, in concert or individually, the following services to exporters:

\*\*technical assistance and training in marketing, development, design, production, quality control and packaging of exportable products.

\*\*information on foreign markets, prices, potential customers and potential investors.

\*\*information or assistance on investment opportunities, including joint ventures, co-production and licensing.

3. INPEX and private sector organizations supporting exports will have been assigned a permanent line in the national budget and obtain the agreed share from the CRA. INPEX will also have negotiated with other donors for additional program funds.

4. The value of export earnings from non-traditional products will have increased from \$110 million in 1987 to about \$156 million by 1990 and \$186 million by 1991. (See Section VIII.A. Table 5.)

5. Export producers will have increased access to pre and post embarkation credit, including that made available by the banking system and non-USAID donors. Progress in attaining this target will be measured in terms of:

\*\*the amount of credit obtained to finance non-traditional exports;

\*\*the number of accepted/rejected credit applications;

\*\*the number and amounts of credit lines, including designated product lines;

\*\*timeliness in processing of credit applications and disbursements.

6. The amount of paperwork required from exporters will have been reduced substantially. Baseline information for measuring progress in attaining this target will be established during project implementation.

7. A Market Information Service will be operational and will be providing information on products, markets, channels of distribution, transportation, etc. to Bolivian exporters.

Attaining these EOPS assumes that:

a. The GOB will continue to implement existing free-market-oriented economic policies, as defined by the NEP and the Reactivation Decree of July 1987.

b. The GOB will carry out its export incentives plans, specifically the CRA, during the early stages of Project implementation.

c. The GOB will have taken the necessary steps to expedite export documentation, and will have established appropriate export incentives, particularly immediate activation of the CRA.

d. The private sector and international donors will support INPEX (or other organization(s) performing its intended functions), and qualified staff will have been hired to implement effectively its services.

e. Sufficient GOB and private sector funds will be made available on a permanent basis to underwrite the services offered by INPEX and its regional representatives such as the Bolivian Export Promotion Institute (IBCE) in Santa Cruz. In addition, it is anticipated that these organizations will charge fees for selected services sufficient to cover selected program costs, at least by the Project Assistance Completion Date (PACD).

#### D. Project Outputs

Attainment of the Project purpose will be determined by the following outputs:

1. Technical Assistance provided to exporters. Numbers assisted and marginal increases in exports will be estimated.

2. Training and advisory assistance provided to the staffs of INPEX and its regional organizations, IBCE, the Cámaras de Exportadores and its affiliates, and to DICOMEX. The number of people trained will be determined in the workplan of the project consultants during the early stages of project implementation.

3. Adequate eligibility criteria for selecting clients for services developed; including training, technical assistance and information;

4. Effective linkages with other export related institutions established;

5. Attainment of sufficient financial support through fees for services provided, member contributions, etc. to assure continuation of project activities after termination of AID assistance.

6. A legal (statutory and/or regulatory) and administrative framework in the public sector will have been established to reduce bureaucratic export procedures.

7. An investment promotion strategy for exports developed.

8. An information service for foreign market data, including prices, product specifications, product volume and potential customers developed. Establishment of the service will include: development of criteria and instruments for determining information needs of potential clients; relevance, timeliness and comprehensiveness of information; number of eligible users and user satisfaction; frequency of use by customers; results of information service in developing export business; etc.

9. Export credit lines established. Export credit, both pre and post embarkation, will be made available to producers of non-traditional products.

#### E. Inputs

##### 1. AID

AID will contribute \$11.5 million in grant funds during the Life of the Project (LOP) to finance several sets of activities including: 1) U.S., third country and local training and technical assistance to exporters and to private and public sector institutions engaged in export promotion activities; 2) provision of pre and post embarkation credit to qualified export companies; 3) the establishment of a market information system; and 4) other costs, such as initial operational support to INPEX, and the Cámaras de Exportadores; and 5) program evaluations and audits. For details of the budget see Part VI.

##### 2. Bolivian Public/Private Sector

The Bolivian contribution (both public and private) will total approximately \$4.0 million in support of INPEX and its affiliates, and related export promotion organizations and activities. These funds will be used to complement INPEX's resources for collection, maintenance and distribution of export market information, technical assistance and training services to actual and potential exporters, working capital and other credit, etc.

#### F. Project Components

The project will have three major components: a) Institutional Development and Strengthening; b) Product and Market Development; and c) Export Credit Financing. These three components encompass an integrated set of activities to promote successfully non-traditional exports thereby contributing to Bolivia's economic growth.

1. The Framework for Project Implementation

Implementation of the various Project components will be carried out in the context of the following findings of the USAID design team and the consultants which helped the USAID in carrying out the project analyses:

- \*\* There is a need to strengthen policy analysis in both public and private institutions. DICOMEX, the foreign trade directorate within the Ministry of Industry Commerce and Tourism, lacks any kind of technical expertise to analyze the impact of policy measures on trade and the competitiveness of Bolivian products. Similarly, private sector organizations tend to advocate policies on the basis of impressionistic judgment rather than of empirical analysis.
- \*\* There are critical regional differences which will affect project implementation. Not only is the product base in each region completely different, but some regions have much more export potential than others, particularly the Oriente. Also, some regions are developing strong promotion institutions that do not want to be dominated by national organizations, for example the Instituto Boliviano de Comercio Exterior (IBCE) in Santa Cruz.
- \*\* Currently, there is poor integration and coordination of investment and export promotion activities. Investment promotion is being organized into a separate institution - the "Centro de Promoción de Inversiones" (CEPI), although presumably with close ties to INPEX. However, given the need to promote investments in export production and to seek joint venture partners for Bolivian firms, the activities of concerned organizations need to be closely coordinated.
- \*\* There is the risk of institutional fragmentation and duplication of efforts. Numerous organizations are interested in providing similar services, such as information, technical assistance and credit, to exporters. The Cámara de Exportadores, INPEX and the regional promotion institutes, chambers of commerce and industry, the Confederación de Empresarios Privados and bi-national chambers are all interested in some involvement. For this reason, good coordination of the activities of these organizations is of critical importance.

- \*\* Most Bolivian firms lack the scale and resources to meet volume requirements of foreign markets, or to finance the costly process of accessing markets and developing appropriate products. This implies the need to promote ways of organizing production of multiple small firms by supporting intermediary companies willing to provide marketing, product design and support, and possibly credit.
- \*\* The size of a revolving fund needed to meet the current credit requirement of exports of non-traditional products fall in the range of \$50 to \$55 million, expected to turn over twice a year. As shown in the financial analysis carried out by the USAID Economist, this is a conservative estimate and represents the minimum requirement.
- \*\* The concentration of all export related paperwork in one office will be extremely difficult to attain because most of the regulators are unlikely to delegate their power to another entity, such that it would probably become "one more stop." Instead, emphasis should be placed on eliminating and simplifying procedures.
- \*\* Currently, most Bolivian exports go to Latin markets. Brazil, Peru, Argentina and Chile are the principal markets for Bolivian exports. The implication is that successful negotiation of trade agreements, providing preferential access to these markets, is critical. Since the quality, volume and price requirements of these markets are less demanding than those of U.S. and Europe, the amount and cost of assistance required by exporters to these markets would be also less.
- \*\* Significant export development in Bolivia will require both reorientation of the productive sectors to meet market demands and investment in new productive capacity. However, except for minerals, export development is a relatively new concept. Few companies are involved in exporting and there is a general lack of understanding of what needs to be done at the macro and micro levels to develop exports.

The Project considers the above findings and will focus on several tasks critical to development of a comprehensive national export capacity in non-traditional products. These include: a) cooperation with the GOB to formulate the appropriate policy mixes and create a regulatory environment in which to foster efficient and effective exports of non-traditional products; b) promotion of access to timely pre-and-post embarkation credit and loans for operating capital and project start-up costs; c) provision of timely and accurate information on

foreign markets; and d) extension of training and technical assistance services in a wide range of areas, from production techniques to completion of export deals.

2. The Components

a. Institutional Development and Strengthening. Under this component, the Project will provide technical assistance, training and related support to strengthen private and mixed private/public sector institutions engaged in export promotion activities and on the development of non-traditional exports. The specific aim of this assistance, which will not be product-specific, will be to:

--Help such institutions develop their capability to influence the formulation of appropriate policy mixes,

--raise the level of understanding regarding export development,

--develop mechanisms to facilitate the export of Bolivian products, and

--provide services to export-oriented sectors, such as market information and the identification of exportable products and the markets for those products. Consistent with these aims, the project will provide technical assistance to the following institutions, which were selected either because they are already playing or have the potential to play an important role in the promotion of non-traditional exports from Bolivia:

1) The National Institute of Export Promotion (INPEX), which was created by the GOB under the July 1987 Economic Reactivation Decree to represent both the private and public sectors in developing actions to promote exports.

2) The Bolivian Institute of Foreign Trade (IBCE),  
Santa Cruz; and

3) The Federación de Empresarios Privados (Cochabamba).

Each of the above implementing organizations will be strengthened through technical assistance and training so they can become effective links for the provision of required assistance to exporters in their respective regions. They will have access to a data base through a computerized Information Service (described below) which will be established as part of the project. As described in Part V of this Paper, the two long-term consultants who will be based in La Paz and Santa Cruz and short-term consultants, as needed, will assist the national and regional Implementing Organizations in developing a feasible

export promotion strategy based on the export potential and needs of exports in each region.

The key functions of INPEX, IBCE and the Federación de Empresarios Privados (Cochabamba) will be to coordinate private sector requests for assistance in the areas of market information, training and production management, etc. In addition, they will coordinate with other private and public sector organizations initiatives in the areas of policy analysis, and the integration of export promotion and investment promotion activities. In this respect, close working relationships will be developed with the Investment Promotion Institute (CEPI) and the United Nations Program for Investment Promotion (PPI) to help raise private capital to underwrite expansions of Bolivian non-traditional exports.

4) Private Sector Organizations. The project will strengthen a number of private sector organizations engaged in export promotion activities through short-term technical assistance and training so they can provide effective support to their members. These organizations include the Chamber of Industry, the Chamber of Commerce, the Chamber of Exporters, and the Confederation of Private Entrepreneurs.

5) The Commercial Banks. The development and evaluation of project proposals in the area of export promotion of non-traditional products is relatively new in Bolivia. The staffs of commercial banks are inadequately trained in the appraisal of project proposals and in the appropriate financial instruments involved in export financing. Banks selected to administer funds provided under the credit component of this project will have major responsibility in appraising, approving or rejecting loan applications. The project will provide short-term technical assistance and finance seminars on export topics to upgrade the capability of key personnel from selected banks.

6) The Dirección de Comercio Exterior (DICOMEX), in the Ministry of Industry, Commerce and Tourism. The government has specifically requested technical assistance and training to DICOMEX to assist this office to carry out its major function, which is to formulate policy recommendations in the area of foreign trade, particularly export promotion. The Project will provide short-term technical assistance to DICOMEX in selected areas relevant to the development of policies conducive to the promotion of Bolivian exports.

7) The Central Bank has also requested technical assistance to strengthen its capacity to evaluate bankable projects and monitor their implementation. While the Central Bank is no longer involved in granting loans directly to the private sector, it has an important supervisory responsibility in this area. If deemed appropriate during Project implementation, short-term technical assistance will be provided for this purpose.

8) Producers or Producers Associations of exportable products. Short-term technical assistance to exporters will be provided indirectly through INPEX, IBCE, and the CEPB (Cochabamba). This assistance will be carefully analyzed to assure that it does not conflict with the provisions of United States restrictions. In the case of the Bumpers' amendment, for example, the USAID will require project consultants to carry out an analysis on a case by case basis to assure that any assistance to producers of agricultural commodities will not have a significant impact on US exports of similar commodities. This determination will be documented and made part of the Project's files. Also, to assure compliance with PD-71, the USAID will request an AID/W waiver prior to providing any assistance to potential exporters of citrus products. The project Agreement will contain a clause stating that no AID funds may be spent on citrus production or export without AID approval.

b. Product and Market Development

Under this component, the project will support private sector efforts to identify and develop foreign markets for promising products, establish a market information system, and adjust design and quality of products to meet foreign demand.

1) Market Identification and Development

One of the keys to development of an effective export marketing program in Bolivia is recognition of the differences that exist among exporters and current export markets. There are three major classes of exporters in Bolivia, and two major types of export markets. The classes of Bolivian exporters are: 1) full-time exporters; 2) occasional exporters; and 3) aspiring exporters.

The majority of Bolivian exports are to regional markets, and are primarily based on preferential tariffs or negotiated bilateral access agreements. Quality and price requirements are less demanding in these regional markets than in other international markets. In the case of most Bolivian products, both quality improvements and cost reductions are needed to be competitive in markets outside the region.

The greatest increases in export earnings would come from providing credit to current full-time exporters, most of whom need financing. Exporters of products such as wood products, leather, flowers, quinoa and nuts will need technical assistance in production and marketing, in addition to access to some credit. The second largest return will likely come from new exporters making investments in currently exported products. In the case of products Bolivia is already exporting in quantities, little technical assistance will be required.

A solid information base on specific products which have good potential in international markets already exists. A number of sectoral and product-specific demand and supply studies was conducted by the Interamerican Development Bank (IDB) and the Andean Pact (JUNAC) during 1987. In addition, an earlier World Bank study (Morawetz, 1986) identifies products which may have export potential, and a preliminary diagnostic study of the leather goods and wood products sectors was conducted by UDAPE consultants. The technicians to be provided under the project, in concert with the implementing Bolivian organizations, will analyze this information base as a starting point to better target the technical assistance to be provided under the project.

In the above context, technical assistance will be provided to the Export Promotion Institute (INPEX), IBCE, the CEPB, the trade associations, and private sector groups, if deemed appropriate, to assist in this task. Technical assistance will be provided to assist Bolivian producers and potential exporters to identify, mainly through pre-feasibility studies, the products that may be exportable. In addition, technical assistance will be provided to help individual producer/exporters to raise their productivity and develop designs conforming to foreign tastes and quality requirements; improve the efficiency of their operations; conserve perishable products; adopt acceptable packaging procedures; etc.

In addition to assistance in the above areas, the project will finance the following, based on specific recommendations of project technicians:

- \*\* The publication of materials, contracting of consultants (for trade shows), registration and booth fees, transportation of samples, and travel expenses of sponsoring institutions' staff;
- \*\* The preparation of country-wide promotional materials and training of staff (INPEX or other institutions) for manning country booths; and
- \*\* Sector-specific short-term technical assistance to assist in contacting and inviting potential buyers to the Bolivian booth, assisting exporters in development of brochures, price lists and catalogues, and providing assistance at the actual event and during follow-up activities.

## 2) The Information Service

There is general agreement both among expert consultants and the exporters themselves that an information service is essential to the promotion of non-traditional exports. Such a service is needed not only to provide up-to-date market information (prices and

names and addresses of prospective buyers), but also to inform prospective exporters of sources of procurement of raw materials and equipment, steps to be followed in preparing products for export, sources of financing, potential investors, specifications to which various products must conform, firms that could provide technical assistance and conduct pre-feasibility studies, procedures to be followed in packaging and shipping, etc.

Where should the information service be located? Following discussions with the various participating organizations, the design team recommends that three information units, all having a relationship with INPEX, be located in key regions of the country. These units include: the INPEX headquarters in La Paz, the Bolivian Export Promotion Institute (IBCE) in Santa Cruz, and the Federation of Private Entrepreneurs in Cochabamba (CEPB). Coordination and exchange of information between the three units is expected to be relatively simple. The reasons for establishing units at the IBCE and the FPEC include:

(a) IBCE in Santa Cruz and the Federation in Cochabamba are already functioning organizations which are dealing with exporters, while the INPEX in La Paz is not yet fully operational. INPEX has been recently organized and the Central Treasury allocation of resources for its operation beyond 1988 is not yet assured, while the CRA (which is to serve as the basis for private sector funding of INPEX) has not been implemented to date. While the national INPEX in La Paz resolves its budgetary problem, the two regional units will be able to proceed with the operation of their respective information services.

(b) There is a considerable amount of regional differentiation with respect to productive capacity owing to substantial differences in climate and soil conditions. For example, Santa Cruz produces timber and wood products, soybeans, cotton, sugar, livestock and dairy products; La Paz produces coffee, wool and minerals; Cochabamba produces corn and dairy products; the Beni, Brazil nuts and rubber.

(c) There is no tradition of close cooperation among the institutions of the various regions of the country.

(d) The cost of equipping and operating an information service is moderate. As shown in the budget, it is estimated that the cost of all the equipment needed by one center is about \$8,500, while annual operating costs, including the cost of telephone communications, comes to about \$40,000. Most or all of the operating costs will eventually be paid by the users. The design team concluded, therefore, that the advantages of having three separate units significantly outweigh the cost.

These three units will exchange information obtained from abroad in order to reduce charges for overseas telephone calls which constitute the highest cost item by far. A link will be established in La Paz between the Confederation of Private Entrepreneurs (the association to which all important entrepreneurs in the country belong) and the information center to be located at INPEX in La Paz. The Confederation already has the equipment to effect this linkage and will thus be able to tap into the data base accessible to the INPEX information Unit in La Paz. The Confederation will receive requests for export information from its affiliated federations in the country in areas where no regional information service is located (areas outside the major urban centers of La Paz, Santa Cruz and Cochabamba). These federations include those in Sucre, Tarija, Beni, Oruro and Potosí. The Confederation in La Paz would obtain answers through the INPEX La Paz office, then relay replies to the federations.

It is thus expected that all major regions of the country will have access to the three information service units that the project will equip and assist: the Santa Cruz region will have access to the unit in the Bolivian Institute of Foreign Commerce (IBCE); entrepreneurs in Cochabamba will have access to the information service located in the Federation of Private Entrepreneurs in Cochabamba (which may be transferred to the local INPEX office after it is established); while exporters in La Paz will tap directly into the information service located in the INPEX's headquarters. Exporters in other areas will access the information service at INPEX La Paz through their local federation and the Confederation in the capital.

In addition to assisting with financing the hardware and initial operating costs of the three Information Service Units, the Project will provide technical assistance and funds to:

- \*\* Conduct of an inventory of information resources and equipment currently available in-country;
- \*\* Implementation of an information needs assessment, by major export products and/or sectors;
- \*\* Design of an information program, including acquisition of appropriate reference materials and publications, purchase of equipment such as computers, modems, photocopiers, and a microfiche reader/copier, and design of training programs for library, information systems and market research staff of appropriate export service institutions;

\*\* Establishment or upgrading of one commercial library in each of the three major cities of La Paz, Santa Cruz and Cochabamba. Each regional library should be equipped with general and specialized foreign trade resources, and have at least one personal computer, modem and printer to access any on-line information proposed, a photocopier and a microfiche reader/copier;

\*\* Funding for the development, publication and dissemination of new product or sector specific directories and/or catalogues of exporters, as well as other new educational materials for both Bolivian exporters and foreign importers. Funds will also be needed for updating of current publications such as the National Directory of Exporters, Export Trade Statistics, and the Guide to Exporting in Bolivia.

c. Export Credit Financing

Under this component, the Project will provide, through Bolivia's banking system, modest amounts of pre and post embarkation credit to address one of the major constraints currently facing the export sector. Given the size of the demand in contrast to the amount available under the project for credit, this component will serve as a pilot effort, which, in concert with the Institutional Strengthening and Market Development Components, will serve to establish the mechanism for an effective system to promote the establishment of a revolving credit fund for Bolivian exporters. Once such a system is established through the Central Bank and selected intermediate credit institutions (ICIs), it is expected that other donors will be willing to channel additional resources to fully meet the demand for pre and post embarkation export financing. A coordinating mechanism will be established to increase the prospects of other donors' contributions to the fund.

(1) The Demand/Supply Credit Situation

A full discussion of demand/supply credit situation which Bolivian exporters face is contained in the Financial Analysis Section of Part VIII of this Paper. In essence, the amount of funds to be provided under this component is small in comparison to projected demand. As the financial analysis shows, it is estimated that the supply gap for post and pre embarkation credit will be in the range of \$27 to \$42 million over the next three years. The credit component of the project will not only alleviate this gap but, as mentioned earlier, is expected to attract other donor resources once the mechanisms are established.

(2) Mechanism for Channelling the Credit Component

The proposed mechanism will involve the Central Bank plus three to four commercial banks that are to be carefully selected, as described below.

USAID will donate the funds that constitute the credit component of this project directly to the Central Bank. However, the Central Bank's role will be limited to the exercise of supervision over the use made of such funds (including end-use made by sub-borrowers) and to the development, jointly with the AID Mission, of appropriate criteria for the selection of the managing banks and for the determination of the appropriate terms of the sub-loans. The actual management of the loan portfolio, and the assumption of ultimate responsibility for repayment of the sub-loans, will be vested in the selected managing banks.

The specific items on which agreement must be reached between the Central Bank and the Mission include the following:

\*\* Purpose of the credits: the general purpose is to provide pre- and post-export credit to finance the expansion of non-traditional exports. Excluded are only traditional exports (tin, natural gas, petroleum, petroleum products, palm oil and sugar, and the exports of raw lumber for environmental reasons). Regarding citrus fruits, any request for technical assistance or credit will be submitted to AID/W for prior approval. The intent of the project is to exclude as few commodities as possible in order to maintain maximum flexibility and permit full responsiveness to market forces.

\*\* Interest rate: rate charged by the Central Bank to the managing banks and maximum spread to be allowed to the managing banks.

\*\* Maturity of the loan: tentatively, the period would extend from three to nine months for pre and post-embarkation credit combined, with an average period of about six months.

\*\* Ratio of collateral to loan: the present practice of three to one will be negotiated with the Central Bank and participating ICIs to reduced this ratio to perhaps a range of 1 to 1 or, at most, 1.5 to 1.

\*\* Maximum amount of loan per sub-borrower: the consulting team suggested a range of \$250,000 to \$300,000, "unless otherwise agreed in writing by the Mission". This range will be negotiated with the Central Bank and participating ICIs. The intent is to avoid channelling all of the available credit to a few large exporters.

The Process for managing the pilot credit line is discussed under Part V - Implementation Arrangements - of this Paper.

The Letters of Understanding or other document with the BCB will require the BCB to inform participating ICIs that exporters of raw lumber must comply with Bolivia's Forestry law, which seeks to protect the environment.

V. PROJECT IMPLEMENTATION ARRANGEMENTS

A. USAID/Bolivia Arrangements with Participating Institutions

USAID/Bolivia will sign a Project Agreement (ProAg) with the Ministry of Planning and Coordination to obligate the funds and to lay out the basic understanding on how the Project will function. The ProAg will describe the purpose of the Project, identify the recipient(s) of the assistance, and establish the implementation modes for each component.

USAID/Bolivia will assign a direct hire Project Manager who will provide general supervision and coordination of the activities for the Mission during the life of the Project. This person will work under the direct supervision of the USAID/Private Sector Chief and will provide a link among USAID/Bolivia, the Central Bank of Bolivia (BCB), INPEX, the Cámara de Exportadores, IBCE and other private institutions which will participate in Project activities.

The BCB, INPEX, and IBCE will be the designated official representatives of the government for purposes of implementing the Project. The BCB will serve as a channel to the ICIs for the provision of credit to the private sector. The long-term advisor (LTA), posted in La Paz, will work with the BCB to advise in the management of the credit program, in addition to advising the other participating public and private institutions and coordinating the provision of short-term technical assistance. A second LTA, who will be posted in Santa Cruz, may work with some ICIs participating in the credit program, will provide technical assistance to the IBCE and exporters in the low land regions of the country, in addition to coordinating the provision of short-term technical assistance to exporters and participating private sector institutions.

Letters of Understanding, Cooperative Agreements, or other documents will be signed with the key participating institutions (the BCB, INPEX, IBCE, Confederación de Empresarios Privados (Cochabamba), and the Cámara de Exportadores) specifying the role of each in project implementation. The BCB will coordinate the credit component and will participate with USAID in the selection the ICIs for participation in the credit component of the project.

The project implementation details, by component, follows.

B. Implementation of Project Components

1. Institutional Development and Strengthening

a. Technical Assistance

Long and short-term technical assistance will be provided to the institution(s) implementing the project, (the BCB, INPEX,

IBCE) and to private sector associations involved in export promotion and private export companies themselves. Where company level TA and training are requested the institution implementing the project will assist in arranging for the desired service, and the company will be responsible for paying attendant costs, on an increasing basis over the life of the project.

Sector level technical assistance would be in the form of sector/product feasibility and market studies, not directly benefitting one particular enterprise but providing a service at the sector level. Company level technical assistance would cover a wide range of needs from marketing to production to financial management, and be sold to individual enterprises on an increasing basis over the life of the Project.

Specifically, the project will provide two LTAs for three years each, a Bolivian long-term advisor for four years, who will work closely with the foreign advisors, and 60 person-months of short-term technical assistance through an institutional contract. One of the LTAs (the Chief of Party-COP-) and the Bolivian advisor will be located in La Paz and will carry out coordination activities through INPEX. The other foreign advisor will be located in Santa Cruz, working in concert with IBCE. He will also service the Cochabamba area. The COP will be responsible for advising INPEX on the analysis, coordination and approval of technical assistance requests, both short and long-term. He/she will report to the USAID direct hire project manager.

Technical assistance will be provided to public and private sector participating institutions in the following illustrative areas:

--Strategic Planning: A critical first step in building the capacity of Bolivian organizations involved in export promotion, particularly INPEX, the Cámara de Exportadores in La Paz and IBCE in Santa Cruz, will be to develop a strategic plan, addressing such essential issues as institutional mission, goals, objectives, and priorities; operating strategies; development and allocation of resources; formulation of institutional performance measures; and setting of timeframes and milestones for agreed upon tasks.

--Operational Planning: A second set of planning tasks will focus on formulation of yearly operating plans. In addition to helping in establishing a planning system, the TA Contractor assisted by short-term experts as deemed appropriate, will help key implementing organizations staff to actually develop operational plans, and will explain the linkages as well as the

differences between strategic and operational planning. The TA Contractor will exercise special care that management and staff clearly understand the uses and limitations of operational and strategic planning, the need to be flexible and the fact that planning is a **process** rather than a rigid document or set of documents.

--Marketing Plan: While INPEX will be financed in part by the GOB and the private sector (through the CRA), it is intended that the Institute will charge fees for its services under this Project. The other Implementing Organizations offering marketing information or facilitating TA from the TA contractor will also need to charge for these services. This will require development of a marketing strategy/plan, which will be required in any event to promote Project services as part of the overall effort to expand exports. The TA Contractor will work with management and staff in formulating marketing plans and strategies, focusing on the need to develop export awareness among both private and public sector officials, and offer information, training and technical assistance to potential and actual exporters.

--Financial and Operating Systems: The TA Contractor will also have to start practically "from scratch" in helping INPEX and IBCE management put in place appropriate operating and financial systems. Specifically, these will include: a general management/institutional structure with clear lines of responsibility, authority and reporting relationships; information management system; financial control (including accounts payable and receivable) and budgeting system; contracting and procurement procedures; personnel policies and procedures and job descriptions; operating structures and procedures for delivery of TA and information services.

--Advising INPEX Board: Consultants will work closely with the INPEX Board of Directors to insure that the separate policy and executive functions of the Institute are clearly understood and honored. While the Board should be strongly supportive of INPEX, and seek aggressively to promote its activities, it should not assume executive functions, as is frequently the case in Bolivia. This would improperly and unnecessarily impede efficient INPEX operations.

--External Relations: The TA Contractor, using short-term assistance if necessary, will support INPEX's efforts to develop an efficient working relationship with other private and public export promotion and export-related institutions.

--Consultant Management: The TA Contractor will assist INPEX and IBCE staff to establish a short-term consultant (STC) management system. This will include processes for identifying and selecting STCs, including those from IESC and CESA; development of formats for writing scopes of work; installation of a system for arranging logistics; creation of methods for proper management and payment of STCs; development of evaluation procedures and, where necessary, instruments to assess STC performance. The TA Contractor will also assist INPEX and IBCE in designing, putting into operation and maintaining a computerized STC consultant roster.

--Investment Promotion: The COP will coordinate this effort in concert with INPEX, DICOMEX, and other concerned GOB institutions. The project will develop an investment promotion strategy and an investment promotion plan (IPP) for attracting foreign (and local) capital to underwrite development of non-traditional products for export.

The IPP would include the following elements:

\*\* Policies: In coordination with the CEPB review GOB policies and codes, institutional structures, and bureaucratic impediments to determine necessary changes or adjustments to the promotion of investments.

\*\* Investment targets: Identify likely types of firms which are potential investors in Bolivia in terms of their size, national origin, experience investing in the region, and industry areas. Since Bolivia is not a CBI eligible country and probably cannot rely principally on investment in off-shore production, different approaches to investment promotion must be developed here than those used in most other LAC Bureau investment promotion projects. The possibility of establishing business councils between Bolivia and other countries will be assessed, and if necessary, a plan will be prepared to do so, as a way to facilitate investment deals.

**\*\* Institutional resources in Bolivia:** Analyze resources for information about potential investment in Bolivia from the point of view of the investor looking for information. Potential sources of information include CEPI, the analog to INPEX set up by the government of Bolivia to be responsible for investment promotion, and private sector institutions such as those being assisted by the export promotion elements of this project.

**\*\* Promotional mechanisms:** Identify needs for promotional materials and the people, sales teams, that will use those materials.

Subsequently, this project may proceed to a small pilot effort of support to promotion of investments in non-traditional exports which would, for example: (a) support private sector efforts in establishing a suitable data base to identify investment opportunities in the export area, identifying local partners for potential foreign investors and foreign investment partners for local entrepreneurs (joint ventures); (b) provide advice and facilities to potential investors requesting incentives from the government and institutions participating in trade missions; and (c) collect and analyze information in Bolivia relating to assembly contracting, production, manufacturing experience, and plant capacities of local firms.

To accomplish this, surveys may be conducted in cooperation with public agencies and private sector associations. Portions of the task will be contracted to local firms. As far as possible, the information needed by investors will be physically located within and managed by the Information Service Component described in a subsequent section of this paper.

The COP will be a recognized expert in the area of export promotion and development, and have: a minimum of ten years experience working in a senior management position(s) in a public or private organization; five years experience working in the field of export and/or foreign trade and marketing; demonstrated knowledge of public policy development and management; knowledge of credit and loan portfolio management; and worked in Latin America. The COP should also possess good interpersonal skills and be able to operate effectively in an unstructured, cross-cultural environment. The ideal candidate will have a graduate degree in economics, business or public administration. Fluent Spanish is a requirement. Previous AID experience would be helpful but not necessary. The other LTAs are expected to have similar qualifications.

1) Short-Term Technical Assistance

Several kinds of short-term technical assistance will be provided from from the U.S., third countries and Bolivia. This assistance will include, but will not be limited to the following: institutional capacity building, product design, production management and technologies, and market and export development.

a) Institutional Capacity Building

Some short-term consultants (STCs) will be required to assist the strengthening of INPEX as a viable institution, as well as to strengthen the capacity of other private sector institutions which may play a role in export development. Specifically, short-term technical assistance will be provided, as necessary to:

--Assist the long term consultants, particularly the COP, in the above tasks.

--Develop an effective market information system, with units in La Paz, Cochabamba and Santa Cruz.

--Create three commercial libraries which would include an inventory of current materials available on export development. Short-term technicians will also train librarians in acquiring, reviewing and abstracting journals and other relevant publications.

--Establish an appropriate technological level computer information management system in La Paz, Cochabamba and Santa Cruz. Short-term technicians will train counterparts in programming and in the use of an appropriate word processing system, LOTUS 1-2-3 and DBaseIII+. The STC would provide similar training and TA in setting up interrelated systems, i.e., computer, modem and laser printer and set of software each, in the regional offices in Cochabamba and Santa Cruz.

--Help the BCB and participating ICIs develop a credit management system, which would include the establishment of loan criteria for selection of applicants, evaluation of loan applications, project analysis, portfolio management and collections. The TA would also be provided to create a system which is regionally sensitive and in which loan applications are processed with an absolute minimum of requirements.

--Strengthen the capability of other organizations which are presently working to promote exports. These include the Cámara de Exportadores and its regional associates, IBCE, and the Confederación de Empresarios Privados de Bolivia. While it is premature to assign specific types of TA and requisite person days, it is possible at this juncture to recommend that USAID/Bolivia contract an STC to conduct a review of the ways in which the Cámara, IBCE and CEPB could work closely together with INPEX in developing common and agreed upon export strategies. Part of the assignment would also be to examine and recommend ways in which these affiliate organizations could be strengthened internally to promote export goals.

--Assess the feasibility of creating intermediary organizations, such as marketing associations or cooperatives, as mechanisms for marketing in sufficient volume products of small non-traditional export companies. In order to make these efficient organizations, TA would be needed in several areas including: management; marketing; quality control; packaging; transport; inventory control. The amount of TA would depend on the number of organizations actually created, and the types of products each organization represented.

b) Export Development-Sector Feasibility Studies

Many current sector analyses and pre-feasibility studies in Bolivia have been conducted by such organizations as IDB, JUNAC and the World Bank. These provide useful information for export purposes. In addition, research for the technical analyses in this Project paper has shown that comprehensive sector analysis has been conducted. On the other hand, it will be necessary in the future to conduct specific sector and sub-sector feasibility studies for export-related purposes. Examples of sector/subsector analyses that might be funded under the project during the LOP include, studies of kiwi, wood products, flowers, and leather. Each analysis would be conducted by short-term experts from the U.S. or third countries and be scheduled for a period of about five person weeks each.

In addition, TA in the form of product specific market studies would be conducted, focusing on market identification, development and demand. These studies would be in product areas to be determined by INPEX, IBCE, and/or the Cámara de Exportadores. Each study would require the services of one or two short-term consultants for an average of five weeks.

b. Training

To upgrade the overall Bolivian capability in the export sector, the project will sponsor various types of training programs, as follows:

1) Awareness Training

Research for the Project Paper revealed a notable lack of an "export mentality" in Bolivia, which has been both a cause and effect in part of the underdeveloped state of the national non-traditional export sector. More importantly, this has been responsible for the absence of a strong constituency to influence formulation and enforcement of policies favorable to exports. As an initial project task, the TA contractor may develop a series of three export awareness seminars, one each in La Paz, Santa Cruz and Cochabamba. Each seminar would last approximately two days and feature a prominent foreign expert whose name would attract a large audience. This would be a way visibly to focus attention on the urgency of expanding non-traditional exports.

The time required for each expert/STC is estimated at five person days, including preparation and travel.

2) Sector/Product Design and Identification Training

Training at this level will be product specific, but not address issues at the firm level. Training methods will include workshops, seminars and classroom settings. During the LOP it is anticipated that a minimum of fifteen sectors, including existing sectors of wood/wood products, flowers, leather/leather products plus other sectors to be defined will be offered training. Each sector will receive a series of training assistance over the LOP, each one lasting an average of one and one half days.

Areas to be covered include:

- o Sector specific marketing techniques
- o Product development, design and modification
- o Production processes, including layout, production techniques and technology, inventory control, maintenance, quality control
- o Management for productivity
- o Packaging
- o Shipping and transport

A separate training program will be set up for trade shows and trading companies. These will be coordinated through IBCE or INPEX, but each participant will have to pay his/her expenses.

- o "Walking" trade shows will include tours of selected trade shows abroad (Brazil, Europe, U.S.) to familiarize participants with trade shows, competition and potential opportunities. Visits will also include tours to sector relevant companies. Four visits during first two years of the Project are contemplated.
- o Participation in trade shows. This will include training of implementing organization staff in developing strategies to select and maximize opportunities in participating in trade shows. One STC to work with INPEX, the Cámara de Exportadores, IBCE and the CEPB for a period of three person weeks.
- o Four visits to trading companies to gain understanding of role and operation of trading companies, and to make contacts. Four visits to be led by an appropriate implementing organization staff member and STC/trainer. Each visit will last three days each. STC per visit will be an average of ten person days, including preparation time.

3) Foreign Service Officer Training

A recurrent complaint on the part of exporters is that Bolivian embassy staff, especially commercial attaches, are ill-prepared and not well motivated to promote Bolivian exports. INPEX should offer a series of training course through IDEA, if possible, to train relevant foreign service staff. Given embassy staff turnover, this should be an on-going activity. Initial training course design will require one expatriate and one local short-term consultant (STC). The STC will work with IDEA to design a set of courses to deal with these issues, and train local trainers.

The estimated time required for a foreign STC will be six person weeks and for a local STC four person weeks.

4) Implementing Organization Staff Training

Implementing Organization staff will receive on-the-job training (OJT) in developing the capacity of the institution to operate efficiently in attainment of its goals. It is not anticipated that staff training other than that already outlined will be needed.

5) Company Level Training and Technical Assistance

The Project does not contemplate using INPEX or other institution to maintain a staff able to provide training and/or technical assistance directly to export companies. Instead, the implementing organizations would be in a position to act as brokers between companies seeking training and technical assistance and STCs. The implementing organizations would charge a nominal fee for their brokering services - in order to discourage casual requests and cover minimum costs. The Implementing Organizations would assist companies in obtaining consultant services from local, U.S. and third country advisors. The Implementing Organizations would calculate the costs of their services and charge clients accordingly. Where appropriate, use would be made of IESC volunteers and their counterparts in the Canadian Executive Service Organization (CESO).

The total level of effort for all training and technical assistance would be as follows:

- o Two foreign long-term advisors: three years each.
- o One Bolivian long-term advisor: four years.
- o Short-term consultants: 60 person months.

c. Commodities

USAID/Bolivia will provide \$85,000 for the purchase of the following equipment and services to implement the Project.

- o Seven IBM System 2 Personal Computers or equivalent. Two each would be located in the central office of INPEX, in Cochabamba and Santa Cruz, and one in the Cámara de Exportadores, La Paz.
- o Three laser HP Laserjet II printers, or equivalents, to be located in La Paz, Cochabamba, and Santa Cruz.
- o Three desk top printers for location in the La Paz office.
- o Four phone modules, two in Santa Cruz and one each in La Paz and Cochabamba.
- o Three FAX machines - one for each Market Information System Center.

- o One TELEX machine for INPEX.

d. Other Support

In addition, USAID/Bolivia will provide \$50,000 for pre trade show preparation and post show follow-up, and \$25,000 for development and publication of general export promotional materials.

2. The Information Service

The Project will provide the services of a short-term expert to carry out an assessment of the information needs of Bolivian exporters. Based on this assessment, this expert will develop the hardware and software requirements to meet those needs. He will also evaluate the relevance and adequacy of the various databases already available, which can be accessed through a subscription fee.

The Project will finance the cost of hardware, the recommended software, and the fee for the selected database for a period of three years. In addition, the project will cover the services of three computer operators who will work in building-up the database which will be tailored to the specific needs of Bolivian exporters in each of the regions (La Paz, Cochabamba and Santa Cruz). Each of the regional Information Service Units is expected to be self-financed, after a three-year period, through a system of user fees or budgetary allocations by the Bolivian sponsoring organization.

The system will be fundamentally decentralized, although the following few centralized functions will be assumed by INPEX (La Paz):

- \*\* Maintaining data base subscriptions.
- \*\* Maintaining a central catalogue.
- \*\* Archiving.

The main terminals for the system, whose operating costs this Project will support, will be at the national INPEX headquarters in La Paz, at IBCE (Santa Cruz) and at the "Federación de Empresarios Privados" (Cochabamba). Besides the "central" location at INPEX (La Paz), the Confederación de Empresarios Privados headquarters in La Paz will have a tie-in to the central system through the computer system provided under the Strengthening Financial Markets Project. By this means information should be available throughout the country.

Commercial information will be obtained on a case-by case basis, that is, as the need arises since this type of information is essentially market intelligence. The data sought will relate to overseas market demand, and it will assist in the identification of buyers and

their purchasing requirements. Upon the request of Bolivian firms and in collaboration with the implementing organization, the TA contractor will assist in overseas market searches through opportunity banks, brokers, and specific trade associations. Fees will be charged for this type of research.

USAID will provide operational support for two years to the three organizations possessing a market information service terminal in order to fund an information specialist and to subsidize the connection charges during the initial phase while the system is being marketed to exporters.

### 3. Export Credit Financing

Under the terms of the Project Agreement, the Ministry of Planning will delegate responsibility to BCB for the management and implementation of this component;

The actual process of managing the credit line will be left to some carefully selected commercial banks (ICIs) that will decide on loan applications. The ICIs will review and study applications, assist applicants in formulating projects to the extent possible, decide on loan applications and assume the risk in case of non-repayment or diversion of funds to non-approved purposes.

The criteria for selection of the banks will cover the following points:

- \*\* Soundness of the banking institutions: This is the most important criterion as the Mission would not want the credit lines to be administered by a banking institution in a weak financial condition that might be tempted to use additional resources to strengthen its liquidity position.
- \*\* Adherence to Criteria: The selected institutions must be willing to offer appropriate terms with respect to the interest rate spread, requirements with respect to collateral, and maximum amount per sub-borrower.
- \*\* Willingness to consider new ventures that offer promising potential for growth.
- \*\* Willingness and capacity to help applicant with formulation of loan application.

- \*\* Willingness to contribute the bank's own funds to the project (i.e. matching the AID contribution) and/or help set up an export credit insurance fund during the first year of operation to help leverage the amount of credit available to finance non-traditional exports.
- \*\* The qualified banks must have branches in the principal urban centers, particularly in Santa Cruz, La Paz and Cochabamba.

The Central Bank and USAID/Bolivia, following agreement on the criteria, will invite all commercial banks to apply for the role of intermediary in administering the credit component of the project. After review of the the banks' applications, the Mission and the Central Bank will make selections. The soundness of the banks' financial situation, the most important criteria, will be judged on the basis of external audits now under way and expected to be completed by November 30, 1988. Second in importance will be the terms that the banks will offer to their customers. The other four criteria listed above will also be considered (they are listed in order of importance).

USAID would prefer to provide a grant for this component to the BCB. The BCB's responsibilities and commitments will be specified in a Letter of Understanding which would be signed by BCB and USAID/Bolivia. The role of the BCB in the individual credit approval process will be limited to supervision, audits, and the provision of general guidelines and procedures to participating ICIs which will actually deal directly with exporters. Limiting the role of the Central Bank, as proposed here, is essential to avoid unnecessary delays. This arrangement also offers the added advantages of enabling the Central Bank to debit the reserve account of the participating ICIs in case these fail to observe the agreed loan criteria which would be jointly developed between the Mission and the Central Bank.

If the BCB option does not prove practical, USAID may provide a reimbursable grant to selected ICI's the reflows from which will go towards related future private sector activities.

Since the funds for the credit component will be donated to the Central Bank and will be loaned to the selected ICIs at the going LIBOR rate (currently 8 to 9 percent), the Central Bank will earn a significant amount of interest. Central Bank and AID officials agreed that the proceeds would be used for three major purposes: (1) establish and feed a revolving Technical Assistance Fund that will finance technical assistance operations after the project terminates. (During project implementation, there will be sufficient resources for that purpose without using resources from the Fund); (2) establish a Loan Guarantee Fund that may eventually assume 50% of the risk of making short-term loans (with the lending banks assuming the remaining 50% risk)

in order to encourage the banks to lower their currently exorbitant collateral requirements; and (3) capitalize the resources in the USAID sponsored Revolving Credit Fund. The tentative distribution (subject to change) of the Central Bank's interest proceeds among these purposes will be as follows:

	<u>Percent of Amount Loaned Out</u>
Loan Guarantee Fund	2%
Technical Assistance Fund	2%
Central Bank's Administrative Expenses	1%
Capitalization of Revolving Credit Fund	<u>3% to 4%</u>
TOTAL (Interest charged to ICIs)	8% to 9%

C. Project Management and Coordination

The Project will be managed by the Private Sector Office (PSO), which will assign a Project Manager to coordinate day-to-day implementation activities. The Private Sector Office will rely on close direction from the Economics Office in identifying and diagnosing export policy issues. Within the implementing organizations it is expected that IBCE, the Federación de Empresarios privados, and the Cámara de Exportadores will provide a perspective on policy problems affecting exporters.

The PSO will also establish a consultation mechanism with the Agricultural Office in USAID since they will also be providing technical assistance to producers associations under the Agricultural Marketing Project.

The USAID Project Committee will periodically review Project status to identify potential implementation and/or other Project-related problems and develop appropriate solutions.

D. Implementation Plan and Compliance with Bumpers/Lautenberg Amendments

1. Implementation Plan

The Steps listed below cover the first six months of activity under the program. This is essentially a planning and prequalification period leading to the disbursement of funds. Although the steps are listed sequentially, most will be occurring simultaneously. Exact dates and scheduling will be developed during the first month the consultant teams are active. Implementation after the first six months will depend on action plans developed during this phase.

Step	Responsibility	Action
Step 1.	USAID, GOB	Sign Project Agreement
Step 2.	USAID & BCB, INPEX, IBCE, FEP(Cochabamba)	Negotiate and sign Letters of Understanding or other document with BCB, INPEX, the Cámara de Exportadores, IBCE and the Confederación in Cochabamba.
Step 3.	USAID	Bid and sign technical assistance contracts
Step 4.	Contractors	Initiate technical assistance activities
Step 5.	Contractors, USAID, and other institutions	Develop work plans and schedules for the first phase of activities
Step 6.	INPEX, IBCE, Federation of Private Entrepreneurs in Cochabamba	Hire staff for information centers in La Paz, Cochabamba and Santa Cruz
Step 7.	Contractors, INPEX, IBCE, USAID, Federación (Cochabamba)	Plan and procure Computer equipment for the information centers
Step 8.	BCB, USAID	Develop eligibility criteria, monitoring system design, disbursement procedures, interest rate, capitalization and fee structures for export credit
Step 9.	INPEX, IBCE CEPB, Federación (Cochabamba)	Arrange initial awareness training for exporters
Step 10.	Contractors USAID	Develop and approve work plan for short-term technical assistance
Step 11.	USAID, BCB & Selected ICIs	Initiate export lending activities

Subsequent activities are dependent upon the work plans to be further developed in the TA.

The Project's implementation plan involves periodic readjustment of resource allocation, means and objectives to facilitate the attainment of the Project purpose. Evaluation reports (based on the evaluation plan described below) are expected to provide essential information for potential redirection of resources. Other events which are essential for planning initial implementation and mobilizing technical assistance are also noted.

The technical assistance contractor will be required to submit monthly reports to USAID on progress toward the accomplishment of the project's goals. These reports will be an essential element of the monitoring plan.

## 2. Compliance with Bumpers/Lautenberg Amendments

The PID was reviewed in AID/W and the DAEC agreed with the Mission's approach for dealing with the provisions of the Bumpers and Lautenberg amendments.

Available data, summarized in Table 4, show that Bolivia's current and potential exports of the products included in the Lautenberg/Bumpers Amendments, as well as all other Bolivian non-traditional goods, constitute a negligible fraction (in almost all cases less than 0.6 percent) of US exports.

Based on the AID/W PID guidance cable and consultations with the Regional Legal Advisor, the Mission understands that restrictions related to the Lautenberg amendment would not apply to technical assistance provided to and through to firms which will be the indirect recipients of USAID/Bolivia funding for this purpose. Within the context of assistance to these Implementing Organizations and through it to various export industries, it would not be appropriate selectively to prohibit technical assistance to particular industries because such assistance will be designed to be of a general nature to benefit several industries at the same time. This would be the case with the provision of relevant information with respect to customers, suppliers, etc.; seminars on export procedures; trade fairs; and even provision of technical assistance to improve product design and quality control which is channelled to or through the Implementing Organizations. This indirect assistance is likely to benefit producers in more than one industry. In sum, specific direct technical assistance by the TA Contractor will not be permitted for products coming under Lautenberg Amendment restrictions.

In sum, during Project Implementation USAID will take into account all applicable legislation, A.I.D. policy and determinations, regulations and legal interpretations on the above amendments. Current, relevant circumstances in Bolivia will be reviewed and adjustments will be made as necessary to assure continuing compliance.

TABLE 4  
BOLIVIAN EXPORTS IN RELATION TO THOSE OF THE US <sup>1/</sup>  
(in Millions of US\$)

P R O D U C T	BOLIVIAN NON	U.S.	U.S.	UNITED	"A" AS A
	TRADITIONAL	GROSS	GROSS	STATES NET	% OF
	EXPORTS	EXPORTS	IMPORTS	EXPORTS <sup>2/</sup>	"D"
	A	B	C	D	
	1987	1987	1987	1987	1987
Timber/limber	22.93	3,052.00	3,137.00	(85.00) <sup>3/</sup>	
Railroad Ties	3.84	-	-	-	
Plywood & Filler	2.47	N.A.	N.A.	N.A.	
Wood Products	1.90	N.A.	N.A.	N.A.	
Livestock	6.75	105.23	421.36	(316.13)	
Coffee	11.48	88.48	2,907.78	(2,819.30)	
Soybeans	5.25	4,306.63	-	4,306.63	0.12%
Soybean Meal (Torta Soya)	5.10	1,213.24	-	1,213.24	0.42%
Soybean Flour	7.70	-	-	-	
Soybean Oil	0.24	263.46	-	263.46	0.09%
Brazil Nuts	6.88	-	15.44	(15.44)	
Coca Leaves	0.05	-	-	-	
Quinoa	0.21	-	-	-	
Cacao	0.20	14.80	1,193.61	(1,178.81)	
Cacao Butter	0.73	-	-	-	
Hides & Skins	8.53	1,731.18	300.04	1,431.14	0.60%
Natural Rubber	1.85	35.04	760.18	(725.11)	
Cotton	0.28	1,6341.58	8.46	1,633.12	0.02%
Textile Yarn and Thread	5.69	573.00	689.00	(116.00) <sup>3/</sup>	
Ethylic Alcohol	1.56	-	-	-	
Alpaca Wool and Products	1.03	-	-	-	
Artisanry	0.05	-	-	-	
Tin Alloys	1.56	-	-	-	
Others	13.79	-	-	-	
T O T A L	110.07				

N.A. = Not Available

<sup>1/</sup> Except sugar which is not eligible under the project.

<sup>2/</sup> Figures in parentheses indicate that the U.S. is a net importer. In that case, no figures were placed in the last column as they would not be relevant.

<sup>3/</sup> 1986 export and import values.

SOURCE: DICOMEX, Ministry of Industry and Commerce.

Foreign Agricultural Trade of the United States, U.S. Department of Agriculture, January/February 1988.

Statistical Abstract of the United States, 1988, Bureau of the Census, U.S. Department of Commerce.

E. Evaluation, Audits, and Monitoring Plan

There will be at least two independent evaluations of the project. The first evaluation will focus on preliminary impact and performance indicators, and will be used to validate the project's basic strategy and approach and to recommend modifications. It will take place at mid-term, tentatively scheduled for January, 1991. Other evaluations or studies of the whole project or of specific components will be carried out as needed.

The project will include an ongoing data collection and monitoring program, an essential prerequisite for effective evaluations. The program is discussed in detail below.

Specific concerns to be addressed by the mid-term evaluation will be determined by the Project Manager, technical assistance team, and the Mission Evaluation Officer, early in the project after interviews with the project's key information users. In general, the evaluation will assess the following and make recommendations as needed:

- \* Progress towards accomplishment of outputs and purpose.
- \* Effectiveness and relevance of project component implementation: 1) institutional development, 2) product and market development, and 3) credit.
- \* Progress towards sustaining project activities after project completion.

The second evaluation will be an end-of-project evaluation focussing on project impact, lessons learned, sustainability, and recommendations for future activities in the sector.

There will also be two external audits during the life of the project. These will be contracted to local auditing firms. The first audit should take place during the second half of the second year of the project. The second audit will be performed during the fourth year.

1. Project Monitoring Plan

The Project Monitoring Plan is designed to ensure the timely generation of performance data to inform decision-makers and evaluators, and to document Project impact. It will serve as an early warning system to alert Project management of any problems that need to be addressed. The monitoring plan is designed as part of the Project's administrative structure. This will not only increase the efficiency of data collection and monitoring, but will also assist in building counterpart capacity in data gathering and analysis to improve project planning and implementation.

a. Management of the Monitoring Function

The project monitoring function will be developed and administered by the technical assistance contract team, in concert and under the guidance of the USAID Project Manager. The monitoring responsibilities will be outlined in the contractor's scope of work. The team will design monitoring instruments, ensure the collection of relevant information, train staff in participating organizations in the monitoring process, supervise the implementation of the monitoring system in all entities, and prepare periodic reports that consolidate and analyze monitoring information. It is important that the T.A. team coordinate early in the project with all key managers, including the USAID direct hire project manager and appropriate people in counterpart institutions, in order to define information needs and determine collection methods.

Implementing the project monitoring system will be the responsibility of the individual institutions engaged in the project: the "Cámara de Exportadores", INPEX, IBCE, CEPB, DICOMEX, ICIs, as well as the T.A. contractor. These institutions will be responsible for the ongoing collection and processing of information.

b. Design and Development

The T.A. contractor will work with the USAID Project Manager and counterpart staff to design the monitoring system. They will develop the system as follows:

- 1) Identify priority information users and their needs.
- 2) Clarify, if deemed necessary, Project goals, purposes, inputs and outputs.
- 3) Identify a) key variables or indicators that will be tracked and b) data sources and collection methods that will be used.
- 4) Clarify counterpart support and involvement.
- 5) Develop feedback procedures, describing the flow of information from data sources to managers, including data processing and analysis requirements.

Implementation of the system will be decentralized among the participating institutions, while overall management and analysis will be centralized in the T.A. contractor, in concert with the USAID Project Manager.

c. Data Requirements

The monitoring system will require regular and systematic data collection on a series of key indicators for the project. These will be further defined early in the project during the

design of the monitoring system. Suggested institutional responsibilities and information needs include:

1) T.A. Contractor

\* Baseline information on potential and current exporters collected through DICOMEX' data, interviews, and sample surveys (e.g. products exported, volume of exports, where exported, major problems and constraints to exporting, the project's employment impact, labor displacement effects, etc.)

\* Evaluation and statistics for any training performed. All trainees should evaluate the training sessions and the trainers.

2) Intermediate Credit Institutions

Internal:

- \* Number and amount of loans granted
- \* Number and amount of loans outstanding
- \* Delinquency
- \* Net margin
- \* Current value of export credit fund
- \* Financial statements

Client Information:

- \* Identification data (name, address, type of business, etc.)
- \* Assets
- \* Income and expenses (export specific, if possible)
- \* Expenditures on intermediate goods imported for export purposes
- \* Export revenues
- \* Number of employees

3) Cámara de Exportadores, INPEX, IBCE, Federación (Cochabamba)

- \* Market information system based on client contacts/inquires (e.g. pricing information, potential buyers, market studies, documentation, transport, etc.)
- \* Internal operating budgets for each organization
- \* Policy changes to promote exports

d. Reports

The T.A. contractor will produce monthly monitoring reports that consolidate complete sets of current Project data. The reports will include analyses of key data, sum up critical findings in the context of goals and purposes, and identify recommendations for action.

F. The Role of Women in the Project

Although the participation of women in Bolivia's export sector has been on a very small scale, some important achievements have been made by women entrepreneurs in fields with strong export potential such as handicrafts, coffee and wood products. Over 4,000 women are already involved in the knitwear industry through the Handicraft Export Development project (511-0583) who are producing alpaca sweaters for export. The Export Promotion Project will further support the role of women in this industry.

The project strategy seeks to remove a series of immediate constraints which impede Bolivian exports. One of these constraints, which has had a negative effect on women, is the small size of their businesses and production units. Most women-owned firms with potential for non-traditional exports lack the scale and resources to meet the volume requirements of foreign markets, or to finance the costly process of accessing markets and developing high quality products. The Export Promotion project will identify selected groups of women which have the potential of producing for exports and will incorporate them into the Export Promotion Project. One possibility is the organization of multiple small firms through intermediary companies which will provide marketing, product design, credit and technical assistance.

The task requires careful analysis and identification of products and fields in which women have a comparative advantage. Therefore, specific elements will be incorporated in the implementation plan in order to assure that product-specific demand and supply studies are conducted in areas where women's participation exists or can be promoted.

Each of the participating institutions will be required to submit within their action plans specific activities that include women in their programs. These plans will be complemented by recommended follow-on activities and evaluation plans to ensure incorporation of women in activities.

One collateral benefit that the project will offer women will be the creation of new jobs as it will encourage labor intensive export industries, in which the female population can play an important role.

## VI. LIFE OF PROJECT COST ESTIMATES AND FINANCIAL PLAN

The Life-of-Project (LOP) for the Project will be \$15.5 million. Of this amount, USAID/Bolivia will contribute \$11.5 million, the Government of Bolivia \$2.1 million and the Bolivian private sector \$1.9 million in the form of institutional overhead and owners' equity. USAID/Bolivia's funding will cover technical assistance, training, commodities, operating support for establishment of an information system, and export credit financing. The GOB contribution, which will come from local currency generated under PL-480 and/or ESF programs will be used for credit. The project design team concluded that it is extremely difficult at this stage to determine the exact amounts and or level of effort to be allocated for short-term technical assistance and training. Therefore, it is anticipated that these cost estimates will be revised, as necessary, based on actual implementation experience.

Regarding the credit component, the USAID will seek to negotiate with the GOB the allocation of the largest possible amount of local currency from PL-480 and/or ESF programs generations. However, the availability of such resources for this purpose is uncertain at this time since it depends on future budget allocations and other Mission-sponsored activities such as coca substitution, which have priority over the use of those resources. Until the situation on future availability of local currency resources is clarified, the credit component will be shown in dollars from DA allocations. To the extent that local currency becomes available, such dollar resources will be substituted by local currency, and the financial plan will be revised accordingly.

### A. USAID Funding

Funding provided by USAID/Bolivia will cover long and short-term technical assistance to the institutions implementing the project, short-term training for Implementing Organizations staff, funding for computers and other commodities for the information centers. USAID/Bolivia funding will also provide \$8.0 million in credit funds for pre and post embarkation exporting activities.

These planned expenditures are analyzed by major input categories in the following pages. In addition, two tables containing summarized information on the cost estimates and the projected expenditures are presented at the end of Sections VI.A., VI.B., and VI.C.

#### 1. Technical Assistance

Technical assistance, both LT and ST, will be contracted through an institutional contract to be procured by open competition. Under this contract there will be 72 person-months of two long-term advisors (3 years each), 60 person-months of U.S., TCN and local short-term consultants for the institutions implementing the project, and 48 pms of a local LT advisor, who will closely with foreign technicians. By year, the technical assistance element will be funded as follows (in \$000's):

<u>TECHNICAL ASSISTANCE (TA)</u> (in \$000's)	<u>YEAR 1</u>	<u>YEAR 2</u>	<u>YEAR 3</u>	<u>YEAR 4</u>	<u>YEAR 5</u>	<u>TOTAL</u>
INSTITUTIONAL CONTRACT (*)						
- 2 LT Advisors (72 pms)	480	480	480	-	-	1,440
- ST Advisors (60 pms)	210	210	210	-	-	630
- Local LT Advisor (48 pms)	72	72	72	72	-	288
Sub-total TA cost:	<u>762</u>	<u>762</u>	<u>762</u>	<u>72</u>	<u>-</u>	<u>2,358</u>
	=====	=====	=====	=====	=====	=====

\* The average cost per person-month includes all direct and indirect costs assuming two US LT Advisors and a mix of US (25 pms), TCN (25 pms) and local (10 pms) ST consultants.

## 2. Training

The Project finances various forms of ST training consisting of seminars, workshops, training courses, on the job training, retreats, etc. for implementing institutions and exporters. In addition, the cost estimate shown below includes monthly incidental expenses such as rentals, and other miscellaneous expenses for all training activities. The cost of short term consultants is included under TA (approximately 30 pms are estimated for training activities alone.)

<u>TRAINING (in \$000's)</u>	<u>YEAR 1</u>	<u>YEAR 2</u>	<u>YEAR 3</u>	<u>YEAR 4</u>	<u>YEAR 5</u>	<u>TOTAL</u>
IDEA-type Bolivian foreign service staff courses, (1 course/yr x 5 at \$5,000 each)	5	5	5	5	5	25
Invitational travel for trade show participation (5 RTs/yr x 5)	10	10	10	10	10	50
Incidental training costs (5 activities/yr at \$2,000 each)	10	10	10	10	10	50
Sub-total training costs	<u>25</u>	<u>25</u>	<u>25</u>	<u>25</u>	<u>25</u>	<u>125</u>
	=====	=====	=====	=====	=====	=====

## 3. Commodities

Commodities consist primarily of computer equipment, office furniture and equipment Fax/Telex and telephones for the information centers in La Paz, Cochabamba, and Santa Cruz, and initial purchases of library reference materials.



6. Export Credit Financing

USAID/Bolivia will provide pre and post embarkation credit to exporters through selected ICIs.

<u>EXPORT CREDIT FINANCING (in \$000's)</u>	<u>YEAR 1</u>	<u>YEAR 2</u>	<u>YEAR 3</u>	<u>YEAR 4</u>	<u>YEAR 5</u>	<u>TOTAL</u>
BCB to ICIs	<u>1,000</u>	<u>2,000</u>	<u>2,000</u>	<u>2,000</u>	<u>1,000</u>	<u>8,000</u>
Sub-Total Credit Financing	<u>1,000</u>	<u>2,000</u>	<u>2,000</u>	<u>2,000</u>	<u>1,320</u>	<u>8,000</u>
	=====	=====	=====	=====	=====	=====

These disbursements will be reviewed, as necessary, based on Project Implementation experience, and the actual availability of funds from AID and the GOB.

B. GOB Funding

The GOB funding will be used only for export credit financing. Funds will come from PL-480 or/and ESF Program Generations as determined annually during the Programming Process of Local Currency Generations. GOB funds are planned to be disbursed as follows:

<u>EXPORT CREDIT FINANCING (in \$000's)</u>	<u>YEAR 1</u>	<u>YEAR 2</u>	<u>YEAR 3</u>	<u>YEAR 4</u>	<u>YEAR 5</u>	<u>TOTAL</u>
PL 480/ESF to ICIs	<u>400</u>	<u>500</u>	<u>500</u>	<u>400</u>	<u>300</u>	<u>2,100</u>
	<u>400</u>	<u>500</u>	<u>500</u>	<u>400</u>	<u>300</u>	<u>2,100</u>
	===	===	===	===	===	=====

C. Private Sector Funding

It is estimated that the implementing agencies (selected ICIs and exporters) will contribute around \$1.9 million. This contribution includes mainly institutional overhead and owner's equity. Baseline information will be collected during the course of Project Implementation to obtain the actual value of their contribution.

The following tables summarize the cost estimates and projection of expenditures for the Life of the Project by inputs and by funding source.

TABLE 1: LIFE OF PROJECT SUMMARY COST ESTIMATES AND FINANCIAL PLAN (IN US\$'000 '0)

INPUTS	FINANCING SOURCES				GRAND TOTAL	
	AID	LOAN	GOVT	PRIVATE SECTOR	TOTAL	LOAN
	FY	LYC	LYC	LYC	FY	LYC
<b>I. TECHNICAL ASSISTANCE (TA)</b>	2,258	0	2,258	0		
INSTITUTIONAL CONTRACT	2,258	0		0	2,258	0
1) Two US LT Advisors(72 pes, 36 each)	1,440					
2) US/TCN/Local ST advisors(60 pes)	630					
3) LT Advisor Assistant(local, 48 pes)	268					
<b>II. TRAINING</b>	50	75	125	0	50	75
1) IDEA-Type Training(1 ST course/yr x 5)	25					
2) Trade Show Invitational Travel(5 RTs/yr x 5)	50					
3) Incidental Training Costs(5 ST events/yr x 5)	50					
<b>III. COMMODITIES</b>	162	13	175	0	162	13
INFORMATION CENTERS IN LA PAZ, CBBA & STA CRUZ	162	13		0		
1) Computer System(6 PCs & accessories)	65					
2) FAX machines(3 units) and 1 TELEX machine	12					
3) Office Furniture and Equipment(3 positions)	13					
4) Library Materials(for 3 information centers)	85					
<b>IV) OPERATING SUPPORT (INFORMATION CENTERS)</b>	0	345	345	0	0	345
a) Maintenance, data base access, supplies & others	120			0		
b) Three computer operators(108 pes, 3 yrs ea)	150			0		
c) Other Support(pre/post trade show preparation & promotional materials)	75			0		
<b>V) OTHER IMPLEMENTATION COSTS</b>	100	50	150	0	100	50
a) Outside Ex-post Evaluations	100					
b) Audits(2/LDP)	50					
<b>VI) EXPORT CREDIT FINANCING</b>	0	8,000	8,000	2,100	0	10,100
PCR to selected ICs	0	7,850		650	0	
<b>VII) OWNER'S EQUITY</b>	0	0	0	0	1,900	1,900
<b>IX) PRICE/QUANTITY CONTINGENCIES(*)</b>	100	247	347	0	100	247
<b>T O T A L S:</b>	2,770	8,730	2,100	1,900	2,770	12,730
	=====11,500=====	=====	=====	4,000=====	=====15,500=====	=====
<b>PERCENTAGE OF TOTAL PROJECT COSTS:</b>	( 74.2%)	( 13.5%)	( 12.3%)	( 25.8%)	( 100.0%)	

(\*) Approx. 3% reserve to finance unforeseen variations in prices/quantities is included for the AID grant.

PB&amp;I:JV

TABLE II: PROJECTION OF EXPENDITURES BY PROJECT YEAR (IN US\$ 000)

FINANCING SOURCE/PROJECT INSTITUTE	PROJECT YEARS											
	YEAR 1		YEAR 2		YEAR 3		YEAR 4		YEAR 5		TOTAL	
	FX	LC	FX	LC	FX	LC	FX	LC	FX	LC	FX	LC
<b>I. AID GRANT</b>												
a) Technical Assistance	762	0	762	0	762	0	72	0	0	0	2,358	0
b) Training	10	15	10	15	10	15	10	15	10	15	50	75
c) Commodities	122	13	10	0	10	0	10	0	10	0	162	13
d) Operating Support	0	115	0	115	0	115	0	0	0	0	0	345
e) Other Implementation Costs	0	0	50	25	0	0	50	25	0	0	100	50
a) Export Credit Financing	0	1,000	0	2,000	0	2,000	0	2,000	0	1,000	0	8,000
E. Price/Quantity Contingencies	15	50	20	60	20	65	20	40	20	22	100	147
<b>TOTAL AID CONTRIBUTION:</b>	<b>909</b>	<b>1,207</b>	<b>852</b>	<b>2,215</b>	<b>807</b>	<b>2,195</b>	<b>152</b>	<b>2,060</b>	<b>40</b>	<b>1,037</b>	<b>2,770</b>	<b>8,730</b>
<b>YEARLY TOTALS:</b>		<b>2,112</b>		<b>3,067</b>		<b>3,002</b>		<b>2,242</b>		<b>1,077</b>		<b>11,500</b>
<b>II. HOST COUNTRY CONTRIBUTION</b>												
<b>1. GOB</b>												
a) Credit Funds(PCB to selected ICIs)	0	400	0	500	0	500	0	400	0	300	0	2,100
<b>TOTAL GOB CONTRIBUTION:</b>	<b>0</b>	<b>400</b>	<b>0</b>	<b>500</b>	<b>0</b>	<b>500</b>	<b>0</b>	<b>400</b>	<b>0</b>	<b>300</b>	<b>0</b>	<b>2,100</b>
<b>2. PRIVATE SECTOR</b>												
a) Owner's Equity & Institutional Overhead	0	350	0	350	0	400	0	400	0	400	0	1,900
<b>TOTAL PRIVATE SECTOR CONTRIBUTION:</b>	<b>0</b>	<b>350</b>	<b>0</b>	<b>350</b>	<b>0</b>	<b>400</b>	<b>0</b>	<b>400</b>	<b>0</b>	<b>400</b>	<b>0</b>	<b>1,900</b>
<b>TOTAL HOST COUNTRY CONTRIBUTION:</b>	<b>0</b>	<b>750</b>	<b>0</b>	<b>850</b>	<b>0</b>	<b>900</b>	<b>0</b>	<b>800</b>	<b>0</b>	<b>700</b>	<b>0</b>	<b>4,000</b>
<b>GRAND TOTALS:</b>	<b>909</b>	<b>1,957</b>	<b>852</b>	<b>3,065</b>	<b>807</b>	<b>3,095</b>	<b>152</b>	<b>2,860</b>	<b>40</b>	<b>1,737</b>	<b>2,770</b>	<b>12,730</b>
PC&I:JV												15,500

#### D. Procurement Plan

Acquisition of goods and services will follow AID Procurement Regulations (HB 15, HB 14, HB 11). Eligible geographic codes are the United States (000) and Bolivia. Waivers approved by the Mission Director will be required for the procurement of goods and services from outside these geographic areas. These will be processed on a case-by-case basis during project implementation.

##### 1. Procurement of Commodities

###### Computer Systems

Computer systems will be acquired for the three information Centers located in La Paz, Cochabamba and Santa Cruz. The computers source and origin will be U.S. and Bolivia and will be purchased by AID under RFP procedures (HB 14) and in the U.S. or locally, depending on delivery time, maintenance service and needs of the implementing agency. Procurement is expected to take place by the third quarter of FY 1989. Specifications will be prepared by ST consultants and the USAID ADP Specialist.

###### Office Furnishings

Office furnishings will be procured directly by the information centers for the computer operators using at least three competitive quotations (per HB 11). Contracting procedures (advertising, evaluation, award) will be reviewed and approved by USAID before the contracts are signed.

##### 2. Procurement of Services

###### Technical Assistance to INPEX, Cámara de Exportadores, IBCE, etc.

Long-(120 pms) and short- (60 pms) term technical assistance to the implementing institutions will be procured under full and open competition procedures (HB 14). If available, the assistance could also be procured under 8(a) procurement procedures (Gray Amendment). This assistance will be contracted by AID. The PIO/T will be prepared by December 31, 1988 and sent to RCO for necessary action.

The provision of technical assistance is expected to start by April 1989.

##### 3. Training

The training will be provided directly by the participating institutions, with ST consultants provided under the institutional contract.

E. Project Accounting and Disbursing System

The disbursement system includes measures to assure the systematic and timely flow of project funds. If funds are disbursed to implementing institutions, the system will provide for advances of A.I.D. local currency funds, and counterpart local currency funds to be deposited as they are generated into special project bank accounts to be maintained by INPEX, IBCE and the Cochabamba Federation of Private Entrepreneurs (CFPE). These organizations will be responsible for disbursing funds from the special accounts in accordance with quarterly budget approvals by A.I.D.

INPEX, IBCE and the Federación (Cochabamba) will submit a twelve-month implementation plan setting forth the administration costs in Bolivianos, including the Information Center operating expenses (office furniture, equipment, salaries, maintenance of equipment, etc.) and local training costs (rent, materials, etc.). A.I.D. will approve the plan through a PIL. This Plan should contain all information necessary to implement the Project. As a minimum it should include: (1) monthly schedule of salaries and other recurrent costs by source of funding i.e. A.I.D. and counterpart contribution and (2) a procurement schedule for the purchases of office furniture computer supplies, etc. A.I.D. dollar payment for technical assistance, international short term training, purchase of computers and other equipment for the Information Center will not be made through the special accounts, but directly to suppliers.

A.I.D. funds for the project will be channeled as indicated as follows:

METHOD OF IMPLEMENTATION AND FINANCING FOR AID RESOURCES

<u>MAJOR PROJECT ELEMENT</u>	<u>TYPE OF ASSISTANCE</u>	<u>METHOD OF IMPLEMENTATION</u>	<u>METHOD OF FINANCING</u>	<u>ESTIMATED AMOUNT</u> (\$000)
Technical Assistance	Direct AID Contract Contractor	Profit making Institutional	Direct Payment	2,358
Commodities (computer & other equip.)	AID direct Procurement	Profit making International Contractor	Direct Payment	162
Commodities (office furniture and equipment)	Host Country Contract	Profit making Local Institutional Cont.	Direct Reimbursement	13

<u>MAJOR PROJECT ELEMENT</u>	<u>TYPE OF ASSISTANCE</u>	<u>METHOD OF IMPLEMENTATION</u>	<u>METHOD OF FINANCING</u>	<u>ESTIMATED AMOUNT</u> (\$000)
Training-local seminars, on the job training, short courses and incidental training costs.	Implementing Agencies	Provided by the Implementing Agencies	Direct Reimbursement	75
Trade Participation	Placed by Mission	Invitational Travel	Direct Payment	50
Operating support for three information Centers.	Implementing Agencies	Subsidy Financing	Direct Reimb.	345
Other Implementation Costs-evaluations	Direct AID Contract	Profit making Institutional Contractor	Direct Payment	100
Other Implementation Costs (Audits)	Implementing Agencies	Profit making Local Institutional Cont.	Direct Reimbursement	50
Credit Selected ICIs		Loan Financing	Direct Reimb.	<u>8,000</u>
Sub-total				11,153
Contingencies in price and quantity				347
Total AID Contribution				<u>\$11,500</u> =====

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## VII. CONDITIONS PRECEDENT AND COVENANTS

### A. Conditions Precedent (CPs)

The Agreement to be signed with the GOB Ministry of Planning will have the following initial CPs which must be met prior to the disbursement of funds under the Agreement.

1. A legal opinion of the Attorney General of Bolivia, or other counsel acceptable to A.I.D., stating that this Agreement has been duly authorized, or ratified by, and executed on behalf of the Grantee, and that it constitutes a valid and legally binding obligation of the Grantee in accordance with all of its terms.

2. A statement of the name(s) of the person(s) holding or acting in the office of the Grantee specified in Section 8.2 of the Agreement and of any additional representatives, together with a specimen signature of each person specified in such statement.

### B. Condition Precedent prior to disbursement of funds under the Export Credit Financing Project Component.

The GOB, through the Ministry of Planning, will certify that the provisions of Supreme Decree 21660 of July 1, 1937 regarding the "Certificado de Reintegro Arancelario" (CRA) to exporters are being implemented.

### C. Condition Precedent Prior to the Provision of Assistance to INPEX.

A statement that the GOB will provide the necessary support to INPEX to allow its uninterrupted operation. This support may be provided either from central budgetary resources or from the two percent to be generated from the provisions of the CRA.

### D. Covenants

The GOB will agree to maintain a flexible exchange rate: at a minimum the real value of the boliviano will not be allowed to increase in relation to the dollar during the life of the project.

### E. The Letters of Understanding to be signed with the BCB, INPEX and IBCE

These letters will have the following CP and covenants:

1. Condition Precedent under the Letter of Understanding with the BCB. This letter will include a clause stating that USAID/Bolivia will approve the operating procedures for export credit financing prior to the disbursement of funds under the credit component of the project.

2. Covenant under the Letter of Understanding with the BCB. Insider lending: Under the credit component of the project, no loans will be extended to: policy making and management officials of the Central Bank of Bolivia (BCB); similar officials of the intermediate credit institutions (ICIs) which will participate in the project; directors, officers and management staff of firms auditing the BCB and such ICIs; and members of the immediate families (parents, brothers, sisters and children) of the above individuals.

3. Covenant under the Letter of Understanding with the Bolivian Institute of Foreign Trade (IBCE). IBCE will obtain GOB approval of its legal organization. IBCE will also organize and staff its office to better control its administrative and financial operations.

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PROJECT ANALYSES SUMMARY

A. ECONOMIC ANALYSIS

This project is not suitable for a standard benefit-cost or internal rate of return calculation for the following reasons:

1. A significant proportion of the funding in this project is destined for institution building. This is particularly the case for the technical assistance element that is to be directed to the National Institution for Export Promotion (INPEX), the information center to be developed within INPEX, the technical assistance directed to DICOMEX (the policy formulation institution within the Ministry of Industry, Commerce and Tourism), the Central Bank, the Chamber of Exporters, and other private sector institutions.

2. The credit component of this project will be distributed among a large number of enterprises and projects not yet identified.

3. Most importantly, the project is an integral part of an overall GOB program designed to stimulate exports of non-traditional products. As such, it is very difficult to isolate reliably the project's economic impact. However, it is an important part in the overall GOB export promotion program, and will hopefully act as a catalyst in stimulating other donor contributions.

This analysis, however, estimates the impact of the whole program, considering the various GOB measures and the A.I.D. project assistance, on non-traditional exports over the next three years. Projections were made in consultation with knowledgeable people in both the private and public sectors, though they are necessarily still of a highly speculative nature. The Mission projections shown in Table 5 describe the behavior of the major non-traditional export items both without the program and the proposed AID project (and with no economic reactivation), as well as with the program, the AID project and economic reactivation. The main elements that the GOB program is expected to contain will be summarized in the last part of this section.

Note that without the GOB program and this project, total non-traditional exports are expected to increase from about \$101 million in 1988 to only \$127.50 in 1991, indicating an average annual rate of increase of only 8.1% (Table 5). With the program and the proposed project, non-traditional exports are projected to rise to \$186 million in 1991, an average annual rate of increase of 22.6%, calculated in real terms, i.e. in constant US dollars. The difference between the two sets of projections over the three-year period 1989-1991 is thus \$126.5 million, a considerable amount.

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NON-TRADITIONAL EXPORTS  
(Mill US\$)

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	NON-TRADITIONAL EXPORTS (Mill US\$)												PROJECTED								1968 1st Sem
	1976	1977	1978	1979	1980	1981	1982	1983	1984	1985	1986(1)	1987	1987		1990		1991				
													1985 (2)	without (2)	with (3)	without (2)	with (3)	without (2)	with (3)		
Timber	8.21	7.69	9.56	16.90	23.85	12.74	9.92	4.93	3.14	4.35	15.08	22.90	15.00	15.00	20.00	17.00	25.00	19.00	30.00		4.60
Wood Products	1.70	0.99	2.92	4.36	6.63	5.52	4.71	2.29	2.92	1.44	5.11	8.22	6.50	6.50	12.00	9.50	14.00	11.00	16.00		3.33
Livestock	2.40	2.15	2.91	3.16	1.31	0.95	0.59	1.25	1.58	1.17	13.42	0.75	2.00	3.00	3.00	5.00	7.00	7.00	10.00		0.51
Coffee	13.12	17.16	16.71	19.82	20.64	15.82	15.77	13.97	6.56	13.44	13.28	11.48	15.00	16.00	18.00	17.00	20.00	17.00	22.00		6.50
Soybeans & Subproducts	0.00	0.00	0.00	2.80	6.91	5.33	8.02	4.35	2.39	5.33	19.45	18.29	15.00	18.00	20.00	20.00	24.00	22.00	27.50		9.52
Sugar & Subproducts	42.13	25.99	13.45	30.17	30.51	5.49	6.85	10.42	6.55	1.75	4.83	6.57	7.00	7.00	3.00	7.00	8.00	7.00	7.00		2.47
Brazil Nuts	2.58	2.65	5.16	2.81	2.77	2.72	2.70	1.35	2.22	1.47	3.54	6.88	5.00	5.00	6.00	5.00	7.50	5.00	7.50		1.75
Cacao & Subproducts	0.55	1.26	1.75	1.73	1.76	0.68	0.46	0.41	0.28	0.99	3.56	0.99	2.00	2.00	3.00	2.50	3.50	3.00	5.00		0.37
Leather & Subproducts	0.99	2.83	4.86	7.99	4.86	3.66	2.06	0.25	0.82	1.33	6.77	8.53	16.00	10.00	14.00	10.00	17.00	11.00	20.00		12.33
Rubber & Subproducts	2.35	2.23	2.06	1.06	4.79	3.44	4.12	2.73	0.73	0.52	3.76	1.85	2.00	2.00	3.00	2.50	4.00	3.00	5.00		0.42
Cotton & Subproducts	12.50	13.75	14.70	10.58	0.95	2.95	5.07	2.45	0.51	0.71	4.66	6.79	4.00	5.00	6.50	5.50	6.00	6.00	7.00		1.21
Trioxide Alloys	0.00	1.85	0.00	12.72	16.64	13.09	8.50	7.73	4.51	4.15	3.63	1.76	2.50	3.50	5.00	4.00	6.50	4.50	8.00		1.14
Others	3.66	10.43	20.46	12.83	19.39	27.37	16.56	2.52	1.91	0.96	6.55	7.06	7.00	6.00	10.00	11.00	12.00	12.00	15.00		2.62
<b>TOTAL</b>	<b>90.39</b>	<b>89.03</b>	<b>96.20</b>	<b>126.93</b>	<b>163.23</b>	<b>99.09</b>	<b>87.57</b>	<b>57.57</b>	<b>33.63</b>	<b>38.16</b>	<b>103.88</b>	<b>110.07</b>	<b>101.00</b>	<b>103.00</b>	<b>120.50</b>	<b>116.00</b>	<b>156.50</b>	<b>127.50</b>	<b>166.00</b>		<b>49.16</b>

(1) The sharp decline over 1981-85, followed by dramatic recovery in 1986, reflects the disruption caused by the hyperinflation in combination with a highly overvalued exchange rate, which all but eliminated all profit from legal exports during 1982-1985.

(2) Mission estimates, without GOS export promotion program and without project.

(3) Mission estimates, with GOS export promotion program and with project.

While these projections appear optimistic, they are more conservative than those made by the World Bank in its June 2, 1988 Economic Memorandum. That analysis projected exports of soybeans to increase at a rate of 35% in 1989, 30% in 1990 and 28% in 1981, while "other agriculture and manufactures" were projected to increase by 25%, 20% in 1990 and 18%, respectively, in these years. These projections are considerably higher than the 14% average annual rate of increase projected by the Mission over this three-year period.

The general macro assumptions underlying AID's export projections are as follows:

1. Continued political and economic stability throughout the period, including preservation of democracy and the peaceful transfer of power following the 1989 elections.
2. Continued implementation by the new government of the liberal economic model, including reliance on market forces, maintenance of a free economy, encouragement of the private sector through appropriate incentives, and pursuit of conservative monetary-fiscal policies.
3. Implementation of various GOB policies and programs to stimulate non-traditional exports that are described below.
4. Continued and substantial international donor support, including implementation of a generous debt renegotiation package.

The need for the project was described and documented in the Section of the project's "Economic Rationale". With regard to the country's potential for producing non-traditional export products, the point must be emphasized that the process of developing such exports is not starting from scratch. In 1980, non-traditional exports amounted to \$163 million. They subsequently dropped to only \$34 million in 1984 (see Table 5) largely as a result of the hyperinflation and of a substantially overvalued exchange rate, then recovered to \$110 million in 1987. These are still almost \$60 million below the 1980 level, and by much more if the increase in world prices over 1980-87 is taken into account. Thus, in the near future, the goal is only to return to a previously attained level. Secondly, a number of studies by the IDB/JUNAC <sup>1/</sup> team, the many short-term consultants the team brought to Bolivia, and the reports prepared by Kevin Murphy and David Morawetz, identified a number of products and product categories that appear to have excellent potential, given needed technical assistance, credit, a flexible exchange rate policy and other needed incentives. These product lines are as follows:

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<sup>1/</sup> Junta del Acuerdo de Cartagena. The study was financed by the IDB and undertaken by experts contracted by JUNAC.

Wood and wood products; soybeans and derivatives; livestock and meat; cotton; cacao; garlic; flowers; a variety of fruits and vegetables, including pineapple, peaches, grapes, apples, chirimoya, and strawberries; asparagus; pepper; paprika; artichokes and beans; peanuts; quinoa; rabbit hair; frog meat and skins; leather and skins; shoes; cotton yarn; objects of pewter; solder; cans; alcohol; wool of alpaca and llama; little garments of alpaca and llama; alloys of tin; rubber and rubber products; brazil nuts; and handicrafts.

Prospects for the above products were, for the most part, examined only at the pre-feasibility stage. Full feasibility studies are required for most. Still, the studies carried out so far indicate good potential for a broad range of products, assuming appropriate government policies. In addition, Bolivia's potential in minerals other than tin appears excellent as the country has a rich mineral deposit base; and its low cost and abundant labor constitute excellent potential for drawback industries. The removal of a number of institutional and policy obstacles that have held back the development of exports in the past and that are being removed as constraints as part of the current GOB program, combined with the economic and political stability currently prevailing, augur well for the rapid development of the sector.

The discussion that follows describes the key elements of the GOB program that are designed to stimulate non-traditional exports. Many of these follow the lines of the proposed project and will complement it with additional funding to be provided by the GOB and other donors. A number of other elements are in the realm of GOB policy. The main components of the GOB program are as follows:

1. Provision of technical assistance to institutions involved in planning and developing various aspects of the export promotion program, including DICOMEX (Ministry of Industry), INPEX (the mixed public/private export promotion institute), IBCE, the Federación (Cochabamba), the Chamber of Exporters, and the Central Bank.

2. Technical assistance to enterprises in the productive sector to help them with the design of new products, increase productivity and reduce costs.

3. Funding for pre-feasibility studies to identify the most promising export sectors, to determine the feasibility of establishing drawback industries in Bolivia, and to identify such industries.

4. Technical assistance and equipment to set up an information system, with emphasis on providing information to producers to assist in marketing products abroad.

5. Financing fairs, exhibits, and commercial representation abroad to assist with the marketing of Bolivian products.

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6. Provision of credit, both for pre and post embarkation, to provide the working capital required to finance the production, collection and marketing of export products. It is envisaged that the maximum lending period would be one year, with most loans for periods not exceeding six months.

7. Credit for purchase and modernization of equipment. (While not provided under our project, such credit is nevertheless essential in any medium and long-term development program).

8. Continuation of a flexible exchange rate policy. This will require some decline in the real value of the boliviano in relation to the dollar, i.e. the dollar must be permitted to rise in relation to the boliviano a bit faster than the difference between the rate of increase of the boliviano and US general price levels.

9. Need to strengthen export incentives including, but not limited to, implementation of the CRA (Tariff Refund Certificate), and to examine the feasibility of exempting raw materials and capital goods from the uniform import tariff.

10. Measures to stimulate foreign investment in the export sector, including measures to promote the formation of joint ventures. A new investment code to stimulate foreign investment is presently being developed.

11. Improve the country's infrastructure, particularly the road network and the railroads. At present, the scarcity of adequate transport service, prolonged shipping delays and high transport costs, seriously interfere with production and exports, particularly in the interior.

In conclusion: The development of the country's non-traditional export sector is essential to reduce the deficit on current account and the overall balance of payments gap which have been growing by leaps and bounds in recent years. As shown in the "Economic Rationale" section of this paper, the deficit on current account between 1984 and 1987 increased from \$128 million to \$444 million, and is expected to remain stable in 1988 and in 1989. The total unfinanced balance of payments gap (after making full allowance for official loan disbursements and debt renegotiation) was \$78 million in 1987 and is projected at \$26 million for 1988 and \$89 million for 1989.

The increase of non-traditional exports must be expected to assume an important role in reducing these gaps. There is a consensus among experts that the country has the potential to substantially expand non-traditional exports. In fact, in 1980, non-traditional exports were about \$163 million, nearly \$60 million above the level achieved in 1987. The first task therefore is for non-traditional exports to recover to

their former level, a target that is believed to be achievable by 1989. Thereafter, further substantial increases can be expected. By 1991, non-traditional exports could come close to \$180 million. However, achievement of these targets will require more than the \$11.5 million provided by AID under this project. A whole set of GOB policies will also be needed. Given the fact that the promotion of non-traditional exports is given a very high priority in the July 1987 GOB Reactivation Decree, as well as the fact that a number of measures to promote non-traditional exports have already been adopted or are under implementation, there is good reason to believe that the targets postulated in Table 1 can be achieved.

#### B. Financial Analysis

The financial analysis covers ~~two~~ the Mission's estimate of the credit demand/supply situation without this project. A related topic - a description of the mechanism for channelling credit to exporters of non-traditional products is covered under Part IV of this paper.

##### The Demand/Supply Credit Situation

The consulting team that prepared the analysis for this project concluded, after reviewing available data and interviewing spokesmen for both the public and private sectors, that the size of a revolving fund designed to meet the current credit requirement of exports of non-traditional products fall in the range of \$35 to \$40 million, expected to turn over three times a year. The Mission believes that this estimate is on the low side for the following reasons:

1. It assumes an average loan term of 120 days. Since the financing is expected to be for both pre and post embarkation, and since, in some cases, credit will also be required to finance the working capital needs of the producers to enable them to purchase raw materials and labor, an average period of 120 days is likely to be too short. We believe that an average loan period of 180 days is a more realistic assumption.
2. Some allowance must be made for idle time. It cannot be assumed that a loan falling due will be replaced by a new one on the following day. Time must be allowed for investigation and approval of loan applications.
3. The \$35 to \$40 million fund (assumed to turn over three times/annually) does not make allowance for growth. It is based on the estimated total credit requirement estimated for 1988. Yet, starting from \$101 million (estimated) in 1988, non-traditional exports are projected to grow to at least \$186 million in 1991, an increase of 84%.

If \$35 to \$40 million were the approximate requirement for the fund in 1988, the requirement for 1991 would be in the range of \$64 to \$74 million. Such a requirement would constitute only one third of the total non-traditional exports projected for that year, a conservative assumption. In view of the considerations noted above, it is suggested that we adopt a range of \$40 million to \$60 million for the appropriate size of a revolving fund designed to meet the pre and post embarkation credit needs of non-traditional exports over the next three years.

With regard to the available supply of credit for non-traditional exports, the only amounts available at this time are the \$20 million credit line from CAF/SAFICO (the Andean Development Fund) plus another \$5 million granted by Venezuela through the IDB and \$3.0 million from the IBRD RIC II Program. However, this Venezuela/IDB loan is constrained by the requirement that the new exports not compete with those of Venezuela, and are not, therefore, freely disposable. This indicates a deficiency in the range of \$12 to \$32 million, substantially above the \$7 to \$8 million scheduled to become available over the next three years under the credit component of the proposed project.

### C. Institutional Analysis

This analysis covers the three main non-financial institutions which will participate in the Project. The institutional viability of the Central Bank of Bolivia is inherent by its own nature and the design team concluded that an analysis of this institution is not necessary.

#### 1. Instituto Nacional de Promoción de las Exportaciones (INPEX)

INPEX was created on July 10, 1987 by Supreme Decree No.21660 (Article No. 148). INPEX is a public organization and is under the direct supervision of the Ministry of Industry, Commerce and Tourism (MICT). INPEX has had its Statutes and Regulations approved by both the President of Bolivia and the Minister of industry, Commerce and Tourism under the Supreme Resolution No. 204094 of March 3, 1988. Therefore, INPEX has been legally organized in accordance with Bolivian Law.

As outlined in its statutes, INPEX's primary objectives are the following: a) promoting and diversifying exports of both the public and the private sectors, giving emphasis to non-traditional products; b) promoting the growth of Bolivian export capacity; c) improving the competitiveness of Bolivian exports in international markets; and d) providing adequate technical services to both producers and exporters with the purpose of increasing exports.

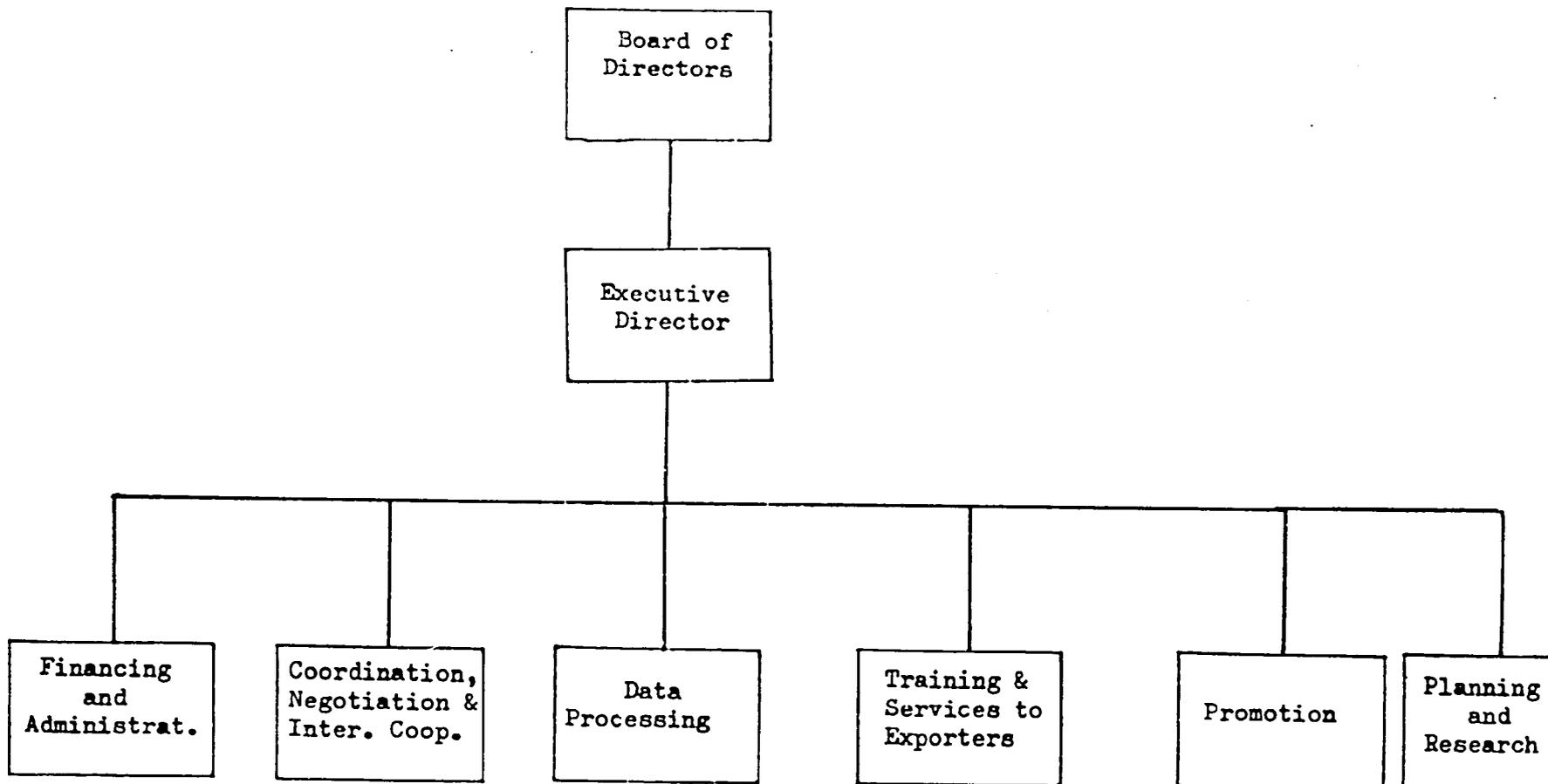
INPEX's functions are the following: a) studying the problems of the Bolivian exporting sector and issuing recommendations to the GOB authorities; b) developing studies oriented to obtaining access for Bolivian products to the foreign markets under competitive conditions; c) providing services to producers and exporters to promote exports; d) promoting Bolivian products in other countries; e) organizing and administering a data system; f) providing information to producers and exporters related to market studies, exportation procedures, financing facilities, etc.; g) organizing and participating in national and international trade fairs; h) participating in bilateral or multilateral negotiations as a representative of the GOB; i) organizing training courses and seminars on export activities; j) obtaining foreign technical assistance; and k) supporting and coordinating the activities of its regional offices.

INPEX has a Board of Directors, whose President is the Minister of Industry, Commerce and Tourism. The Vice Presidency is in hands of the President of the Bolivian Confederation of Private Entrepreneurs, and the Board of Directors includes also the following individuals representing the private sector: nine members of the Bolivian Confederation and Private Entrepreneurs and three members of cooperative organizations. To represent the Public Sector the GOB nominated the following authorities: the Undersecretaries of Commerce (MICT), Agriculture, Mining, Transportation; Integration and Latin America Affairs of the Chancery; and the General Manager of the Bolivian Central Bank.

The proposed INPEX Organization Chart is shown on page 9; however it has not yet been approved by the Board of Directors. This organization chart includes an Executive Director who supervises the following Units: a) Financing and Administration, b) Coordination, Negotiation and International Cooperation c) Data Processing d) Training and Services to Exporters e) Promotion, and f) Planning and Research. The Executive Director of INPEX was nominated in August 1988, but the rest of the personnel will not be appointed until December 1988. The Regional offices of INPEX have not been fully organized yet, and the INPEX budget for 1988 does not include funds for the organization of any additional office except the La Paz Central Office. IBCE, however, has been named as the INPEX representative in Santa Cruz.

In accordance with the Supreme Decree No. 21660, the INPEX budget has two sources of funding: a) the contribution of the GOB Treasury (TGN), and b) Private Sector contributions. The TGN approved the INPEX budget for the period from september through December 1988 in the amount of Bs 263,000, which is equivalent to approximately US\$ 110,000, as shown on page 10.

ORGANIZATION CHART OF THE  
INSTITUTO NACIONAL DE PROMOCION DE LAS EXPORTACIONES (INPEX)



INPEX BUDGET FOR 1988 APPROVED BY THE TGN

	US\$ 000
	<u>Equivalent</u>
Office furniture and equipment	41.2
Rent, travel and per diem, utilities, etc.	57.3
Office supplies, etc.	11.2
	<u>\$109.7</u>
	=====

These funds will be disbursed by the TGN at the latest in December 1988.

The planned contribution of the private sector, which will equal a fraction of the CRA (2% of the CRA, which is 10% of non-traditional exports), should reach approximately the equivalent of US\$ 1,020,000 for the life of the Project versus US\$ 1,019,000 corresponding to its expenditures. Thus, INPEX is expected to be self financing from these two sources.

INPEX at present is negotiating an agreement with the Bolivian Confederation of Private Entrepreneurs so it can receive these funds from the private sector. In accordance with INPEX's representatives, this agreement will be signed in November or, at the latest, in December 1988. The GOB signed a Supreme Decree No. 22013 on September 16, 1988 approving the Rules and Regulations for the issuance and liquidation of the CRAs through the Bolivian Central Bank (BCB).

As mentioned above, INPEX has not yet implemented its organizational structure and therefore has no personnel to administer any financial resources. INPEX has neither an accounting office nor books and records.

The INPEX office facilities were provided by the MICT as well as the office furniture. The IDB financed the purchase of an IBM Model 30 computer for INPEX, and the 1988 TGN budget includes funds for additional office furniture, equipment office supplies, and other materials.

In conclusion, INPEX is in process of organization and lacks experience in the technical, administrative and financial areas. Before any disbursement by USAID/B INPEX must organize its administrative and financial offices and appoint the personnel in charge of these activities to effectively participate in the proposed Export Promotion Project.

## 2. Cámara Nacional de Exportadores (CNE)

CNE is a non-profit private organization, created in 1970. The CNE statutes were approved by its Board of Directors and by the GOB. Any person or private organization dedicated to the export activities can be affiliated.

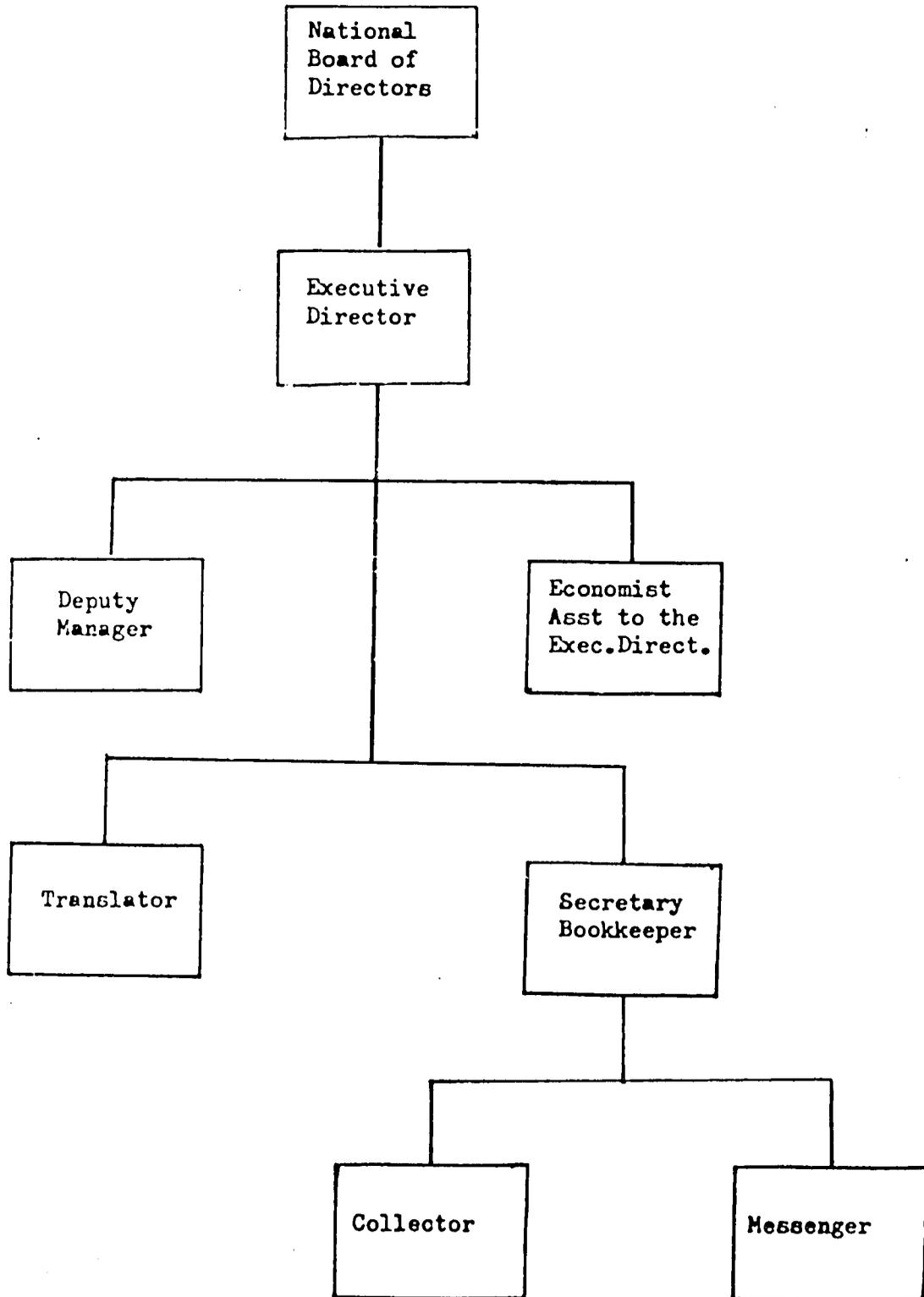
The CNE organization chart shows a Board of Directors composed of a President, a Vice-President, a Treasurer, two Past Presidents, four members and the Executive Director of the CNE. Under the Executive Director is the Deputy Manager who replaces the Director during his absence and carries out the administrative tasks required by the CNE. There is also a Junior Economist to assist the Executive Director. The supporting personnel is composed of the following: a translator, a secretary-bookkeeper, a collector of monthly fees and a messenger. A journalist is also contracted on a temporary basis for specific work. The Organization Chart of the CNE, (Page 12) shows people rather than departments or divisions.

The main objectives of CNE are the following: a) promoting the exportation of Bolivia on non-traditional exports, b) disseminating information on Bolivian export products, c) carrying out marketing studies, d) providing the necessary technical assistance to its affiliates during the exportation process, e) providing information to its affiliates about the supply and demand of export products f) maintaining a list of exporters including both quantity of goods produced and exported, etc. At the present time the CNE a) provides commercial information on the export capacity of Bolivia through OAS (Asociación Iberoamericana de Camaras de Comercio (OAS-AICO), Programa Latinoamericano de Comercio Internacional para las Exportaciones (PLACEX), Sistema Andino de Información Tecnológica (SAIT), etc., b) prepares some specific research studies on international trade and maintains statistics to establish the trend of some export products, c) publishes a bulletin on export issues on a monthly basis which it distributes to its associates free of charge, (these bulletins also include the publication of Decrees or Laws approved by the GOB and considered of interest to its affiliates) d) organizes some courses for the export sector at different levels and e) requests technical assistance from international organizations to provide training to its affiliates in the fields of packing, marketing, commercialization of by-products, etc.

The CNE is also participating in the organization of a Fondo Privado de Fomento a las Exportaciones no Tradicionales with the view to organize a future Export Bank.

CNE's sources of income are the following: a) registration fees, b) monthly fees, and c) donations from persons and organizations.

ORGANIZATION CHART OF THE  
CAMARA NACIONAL DE EXPORTADORES (CNE)



In addition, the CNE is negotiating with the Confederation of Private Entrepreneurs to obtain a portion of the CRA refund also anticipated by IBCE and INPEX.

At the present time 267 persons or organizations are affiliated to the CNE, as follows:

Cámara de Exportadores	Number of Affiliates
La Paz	144
Santa Cruz	64
Cochabamba	32
Tarija	27
	-----
Total Affiliated	<u>267</u>

From the 267 affiliated members only 80 members have paid their monthly fees regularly during 1988. We have been informed by the CNE representative that out of a total of 267 affiliates some members are casual exporters. Conversely there are some major exporters which are not affiliated to the Cámara Nacional de Exportadores although there is a Ministerial Resolution (No. 22798-85 of July 31, 1985 approved by the MICT) obliging all persons and organizations dedicated to exporting to affiliate with the CNE. This Resolution is not always complied with. The CNE is in process of obtaining the approval by the GOB of a mechanism thru the Custom Offices to oblige exporters to affiliate with the CNE.

The CNE income for the period from January thru July 1988 amounts to the equivalent of approximately US\$24,000 provided from registration and regular monthly fees. The analysis of CNE monthly expenses showed a deficit of approximately US\$1,200 per month which is accrued as a liability. CNE owes the landlord for some back rent for its offices as well as to the National Confederation of Private Entrepreneurs for some accumulated monthly membership fees. We were not able to obtain the amount of these debts at the time of our visit since no accounting information existed in the CNE at that time. In addition, the CNE representatives informed us that this data could be provided only at the request of USAID/B in writing and with the previous approval of its Board. The CNE 1987 balance sheet as well as its annual Board Report have not been yet approved. The accounting books and records are in the hands of an accountant contracted on a temporary basis by the CNE.

The CNE has rented offices in the city of La Paz. It has the basic office furniture and equipment necessary to carry out its present level of activities. This office has some plans for expanding its functions to provide better services to its affiliates by installing a national data processing network system, this system might be financed with the foreign assistance, however, at the present time there is no an specific source of financing.

In conclusion, although the CNE was organized 18 years ago, this institution has not yet reached its full institutional strength. The lack of operating plans as well as the lack of evaluations prevented us from making an overall appraisal of the activities carried out by the CNE. In our opinion the CNE needs to strengthen its organization in both the administrative and technical areas to efficiently assist its affiliates in export activities. The lack of sufficient income has prevented the CNE from complying with all the objectives outlined in its statutes.

### 3. Instituto Boliviano de Comercio Exterior (IBCE)

IBCE is a non-profit making entity organized on March 20, 1986 by the following institutions: Development Corporation of Santa Cruz (CORDECRUZ), Chamber of Agroindustry of the Orient (CAO), Chamber of Industry and Commerce (CIC) and National Chamber of Forestry (CNF).

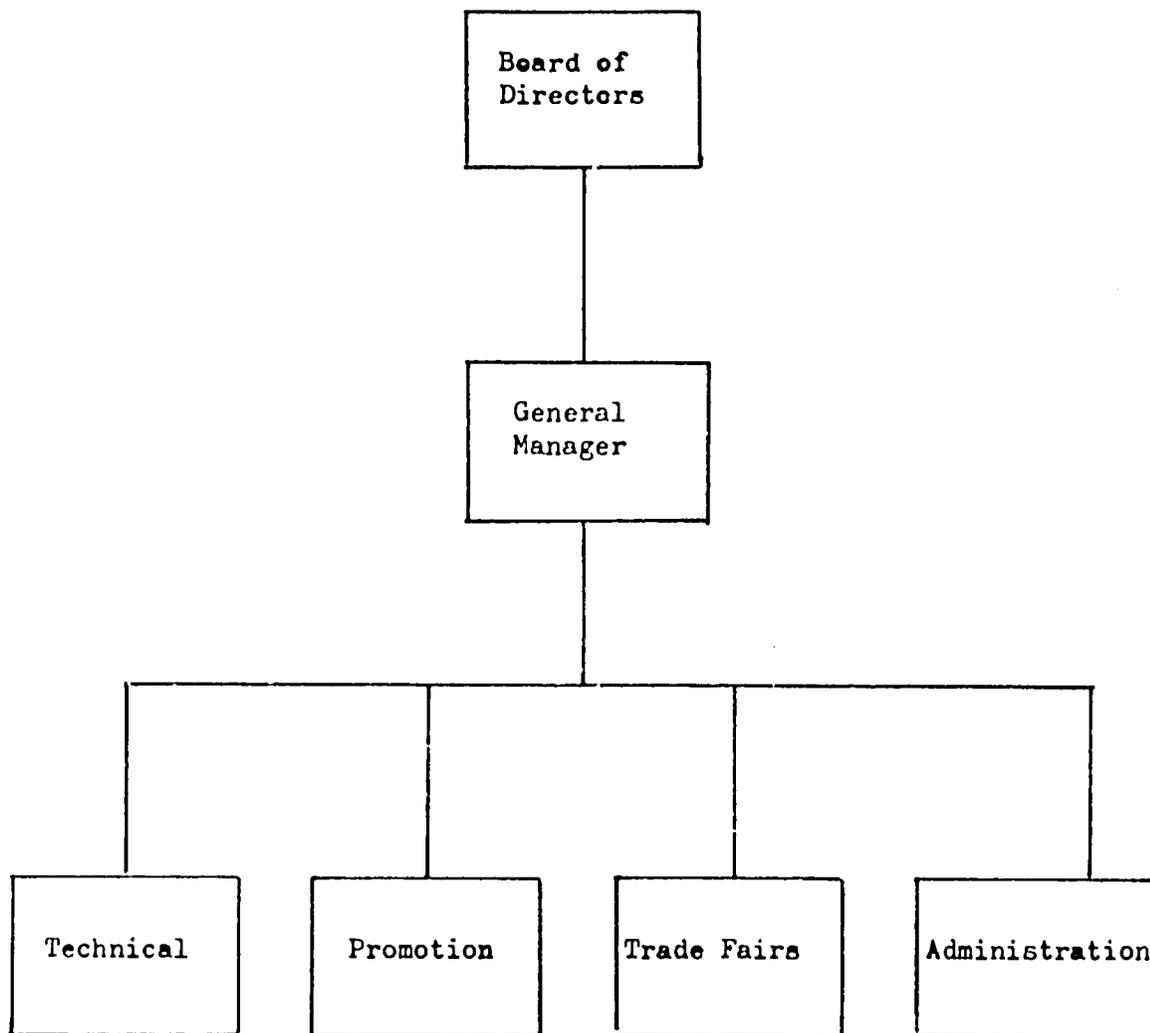
IBCE's legal documentation is in process of approval by the GOB, it is expected that the approval will be made in September or October, 1988.

The present IBCE organization chart (See Page 15) shows that this institution is headed by a Board of Directors composed of two representatives of each organization that founded IBCE. In addition, the IBCE Board of Directors has approved lately the participation of two additional representatives of the Departmental Chamber of Exporters and one representative of the MICT on IBCE's Board of Directors.

The IBCE's organization chart includes a General Manager who supervises the following departments: a) Technical, b) Promotion, c) Trade Fairs, and d) Administration. Actually, each department contains only one employee. The Trade Fairs Department is supervised by a person contracted on a temporary basis and the position of the head of the Administration department is vacant. The General Manager is a professional graduated in International Relation and the supervisors of both the Technical and Promotion Departments are junior economists with little experience in the economic area.

The basic objectives of IBCE are described in its statutes and included the following: a) promoting and conducting activities directed to increase and diversify the exportation of goods from Santa Cruz and from the rest of the country, b) coordinating the rationalization of import in accordance with the GOB development plans, c) advising the GOB authorities on foreign trade policies, d) coordinating foreign trade activities with similar national or foreign organizations, and e) providing technical assistance in the legal and economic areas, etc. to organizations dedicated to exporting.

ORGANIZATION CHART OF THE  
INSTITUTO BOLIVIANO DE COMERCIO EXTERIOR (IBCE)



A plan of activities was prepared by the advisor of the Junta del Acuerdo de Cartagena (JUNAC) on April 30, 1987. However, these activities for May 1987 thru February 1988 were not fully accomplished; some of them are in process of execution and others have not started yet. Some of IBCE's plans are very ambitious and will demand substantial time for implementation at the present some of these activities are being developed by the junior economists, however, they are in the need of a technical direction with experience in export promotion to execute their tasks more efficiently.

At the present time, IBCE has participated in the preparation of the Bolivian directory of exporters in conjunction with DICOMEX. It also prepared some guidelines for exporting to Argentina, Brazil and Peru and made several analysis related to exports. IBCE prepares on a monthly basis a report of regional exports which is distributed to the IBCE associates. It also prepared statistical data of both imports and exports.

IBCE's sources of income were provided by the institutions composing IBCE, that is CORDECRUZ, CAO, CIC and CNF. For this purpose IBCE prepared an annual budget which was approved by its Board of Directors, and established the amounts to be contributed by each participating organization. It has not established a periodic fixed contribution amount from the above mentioned organizations. The IBCE 1987 budget was US\$160,000 which was distributed and committed by IBCE's founders. The review of this budget revealed that IBCE expended US\$114,000 as of August 31, 1988, that is to say that the 1987 budget funds are still being used for its operations in 1988. IBCE informed us that many activities planned for its execution between May 1987 - February 1988 were not accomplished, therefore surplus funds from the 1987 budget are being utilized for 1988 operations.

The following Schedule shows the amounts committed by the founders to cover IBCE's 1987 budget.

Contributions committed by IBCE's sponsors for

1987 IBCE budget 1/  
(in US\$ )

<u>Organization</u>	<u>Amount Committed</u>
Development Corporation of Santa Cruz	\$ 80,000
Camara Agropecuaria del Oriente	28,000
Camara de Industria y Comercio	28,000
Camara Nacional Forestal	24,000
	<u>\$ 160,000</u>
	=====

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1/ Source: IBCE records (9/88)

Based on the present activities performed by IBCE no financial constraints are foreseen until December 1988, however IBCE should request additional financing from their sponsors to cover the costs of this proposed project.

IBCE has contracted an accountant to prepare its financial statements on an annual basis, however, IBCE's Balance Sheet, Income Statements and other financial reports showed some deficiencies.

There is neither a budget control nor an adequate internal control system. The last IBCE financial report was prepared as of December 31, 1987; the transactions from January thru August 1988 have not been accounted for.

IBCE has its offices rented in a building owned by the Chamber of Industry and Commerce of Santa Cruz. The office space as well as furniture and equipment (including an IBM computer PS 2 Model 30 and a printer EPSON X-1000 owned by IBCE) seems to be adequate for the present level of activities carried out by IBCE. We were informed by IBCE's representative that if additional logistic support (such as for the LTA) is required to implement this proposed project, IBCE can provide additional cash or in-kind contribution.

In conclusion, IBCE is a new organization whose activities were initiated only 15 months ago. IBCE has not gained enough experience yet in the different export promotion activities, however, it has some defined objectives which are gradually being implemented. IBCE is in urgent need of assistance in the administrative and financial areas to participate efficiently in this proposed export promotion project.

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EXPORT PROMOTION PROJECT

LOGICAL FRAMEWORK

Date Prepared: November 14, 1988

<u>NARRATIVE SUMMARY</u>	<u>OBJECTIVELY VERIFIABLE INDICATORS</u>	<u>MEANS OF VERIFICATION</u>	<u>IMPORTANT ASSUMPTIONS</u>
Goal	O V I	M O V	ASSUMPTIONS
To promote Bolivia's economy recovery and growth, by assisting in the development of the export sector.	Increase non-traditional exports at least to the 1980 level (of about \$150 million) by 1990 and \$180 million by 1991.  Establishment of a private sector-oriented export promotion institute which will provide assistance to private sector companies in the development, design and quality control of exportable products and information sharing services.	Analysis of GOB and international organizations' statistics.	Continued GOB and private sector commitment to promote exports.

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NARRATIVE SUMMARY Purpose	OBJECTIVELY VERIFIABLE INDICATORS Conditions	MEANS OF VERIFICATION	IMPORTANT ASSUMPTIONS
To support private sector efforts to expand and diversify Bolivia's export of non-traditional products.	<ol style="list-style-type: none"> <li>1. The Cámara de Exportadores and INPEX will have been strengthened to the point they are measurably able to provide effective assistance to Bolivia exporters.</li> <li>2. Key private sector institutions offering services to exporters as technical assistance and information and assistance on investment opportunities, and information on foreign markets, price, potential customer and potential investors.</li> <li>3. INPEX will have assigned a permanent line in the national national budget and obtain the agreed share from the CRA, and funds sufficient to cover its basic functions will have been provided.</li> <li>4. The value of export earnings from non-traditional products will have increased from \$110 million in 1987 to about \$150 million by 1990 and \$180 million by 1991.</li> <li>5. Export producers will have increased access to pre and post embarkation credit, including that made available by the banking system and non-USAID donors. Progress in attaining this target will be measured in terms of amount of credit, number of accepted/rejected credit applications, number and amount of credit lines, and timeliness in processing of credit applications and disbursements.</li> <li>6. The amount of paperwork required from exporters will have been reduced substantially.</li> <li>7. An Information Service will be operational and will be providing information on products, markets, channels of distribution, transportation, etc. to Bolivian exporters.</li> </ol>	Observation and monitoring of Project Implementation, Project evaluations.	<ol style="list-style-type: none"> <li>1. The GOB will continue to implement existing free market-oriented economic policies, as defined by the NEP and the Reactivation Decree of July 1987.</li> <li>2. The GOB will carry out its export incentives plans, specifically the CRA, during the early stages of Project implementation.</li> <li>3. The GOB will have taken the necessary steps to expedite export documentation, and will have established appropriate export incentives, particularly immediate activation of the CRA. The private sector and international donors will support INPEX (or other organizations(s) performing its intended functions, and qualified staff will have been hired to implement effectively its services.</li> <li>5. There will be sufficient, interest in the private sector to export, diversify and improve the quality of non-traditional export products.</li> <li>6. Sufficient GOB and private sector funds will be made available on a permanent basis to underwrite the services offered by INPEX and its regional representatives such as the Bolivian Export Promotion Institute (IBCE) in Santa Cruz. In addition, it is anticipated that these organizations will eventually charge fees for selected services sufficient to cover costs.</li> </ol>

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NARRATIVE SUMMARY Outputs	OBJECTIVELY VERIFIABLE INDICATORS					MEANS OF VERIFICATION	IMPORTANT ASSUMPTIONS	
	Year							
	1	2	3	4	5			
1. Training and advisory assistance provided to the staffs of INPEX and their regional organizations, the Cámara de Exportadores and their affiliates, and to DICOMEX.						1. To be provided during LOP. Targets will be established shortly after arrival of TA contractors.	Monthly, semi-annual and final project implementation reports.  Project evaluations and project monitoring.	Political and Economic Stability and continued GOB commitment to promote the development of the export sector.
2. Adequate eligibility criteria for selecting clients for services developed; including training, technical assistance and information.	X							
3. Effective linkages with other export related institutions established.		X						
4. Attainment of sufficient financial support through fees for services provided, member contributions, etc. to assure continuation of project activities after termination of AID assistance.					X			
5. An Information Service developed.		X						
6. A legal (statutory and/or regulatory) and administrative framework in the public sector will have been established to reduce bureaucratic export procedures.			X					
7. An investment promotion (for exports) strategy developed.			X					
8. An information service for foreign market data, including prices, product specifications, product volume and potential customers developed.		X						
9. Export credit lines established. Export credit, both pre and post embarkation, will be made available to producers of non-traditional products.		X						

<u>NARRATIVE SUMMARY</u> <u>Inputs</u>	<u>OBJECTIVELY VERIFIABLE INDICATORS</u> <u>Implementation Target</u>				<u>MEANS OF VERIFICATION</u>	<u>IMPORTANT ASSUMPTIONS</u>
	Financing Sources					
	<u>AID</u>	<u>GOB</u>	<u>PRIVATE</u> <u>SECTOR</u>	<u>TOTAL</u>		
1. Technical Assistance (LT & ST)	2,358	-	-	2,358	1. Project Grant Agreement.	1. Project funded in
2. Training	125	-	-	125	2. USAID Controller's records.	needs.
3. Commodities	175	-	-	175		
4. Operating Support (Information Centers)	345	-	-	345		
5. Other Implementing Costs	150	-	-	150		
6. Export Credit	8,000	2,100	-	10,100		
7. Owner's Equity	-	-	1,900	1,900		
8. Contingencies	<u>347</u>	<u>-</u>	<u>-</u>	<u>347</u>		
TOTALS	11,500	2,100	1,900	15,500		

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*Presidencia de la Republica*  
MINISTERIO DE PLANEAMIENTO  
Y COORDINACION  
BOLIVIA

ANNEX C

"1988 AÑO DE LOS FERROCARRILES DE BOLIVIA"

La Paz, **15 NOV. 1988**  
DIP/UFAD/093/88 4256

Señor  
Reginald van Raalte  
DIRECTOR  
USAID/Bolivia  
Presente

Señor Director:

Habiéndose establecido que una de las actividades primordiales para la reactivación económica del país, es la exportación de bienes tradicionales y no tradicionales prioritariamente, agradeceremos a usted elaborar el Convenio de Donación para la Promoción de Exportaciones, que contemple acciones referidas al apoyo institucional, asistencia técnica y esencialmente recursos financieros para otorgar créditos de pre y post embarque al sector exportador comercial y productor de bienes exportables.

Las entidades beneficiarias de dicho apoyo técnico y financiero serán el Instituto Nacional de Promoción de Exportaciones, el Ministerio de Industria, Comercio y Turismo (DICOMEX), las cámaras de exportadores, la Confederación de Empresarios de Bolivia y el Instituto Boliviano de Comercio Exterior de Santa Cruz.

Con este motivo, hago propicia la oportunidad para saludarle muy atentamente.

  
Lic. Fernando Candia Castillo  
MINISTRO a.i. DE PLANEAMIENTO  
Y COORDINACION



# IBCE

Instituto Boliviano de Comercio Exterior

Suárez de Figueroa 127  
Edif. Cámara de Industria y  
Comercio, piso 2  
Casilla de Correo 3440  
Teléfonos: 5-2151 / 4-7173  
Telex : 4293 IBCE BV

SANTA CRUZ DE LA SIERRA - BOLIVIA

Santa Cruz, 9 de noviembre de 1.988

I.B.C.E. 244/88

Señor  
Marcelo Van Raalte  
Director de USAID/BOLIVIA  
La Paz

Asunto: Solicitud de asistencia técnica para el INSTITUTO  
BOLIVIANO DE COMERCIO EXTERIOR.

De nuestra consideración:

En distintas reuniones de trabajo mantenidas con personas de la Oficina del sector privado de Santa Cruz, hemos planteado la necesidad de recibir asistencia técnica para el fortalecimiento de nuestra institución, a través de poder una eficaz labor de promoción de las exportaciones regionales (y nacionales), así como, de apoyar en forma efectiva al sector exportador, tanto al ya mencionado, como al potencial, a través de un adecuado sistema de información y asesoramiento en comercio exterior.

En este sentido, consideramos que la asistencia técnica solicitada, podría estar orientada a la contratación de un consultor a largo plazo que nos asista en el desarrollo y ejecución de los diferentes programas de trabajo en los cuales se halla empeñado nuestro Instituto.

Al efecto, el Instituto Boliviano de Comercio Exterior se compromete a proveer de oficinas y apoyo logístico para el consultor, por un lapso de 3 años, además, el nuevo apoyo promocional sobre los servicios y provisión de información por parte del proyecto estará a cargo de nuestra institución.

De igual manera, nuestro Instituto cuenta con el espacio físico adecuado para la instalación de una biblioteca para el almacenamiento de los libros que otorgue USAID/BOLIVIA. Por otra parte, el sistema de computación, la contratación de una bibliotecaria y un operador de sistemas de información estarán a cargo de USAID/BOLIVIA, la que cubrirá el pago de salarios correspondientes a los mencionados empleados durante los 3 primeros años a partir de su contratación.

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SANTA CRUZ DE LA SIERRA - BOLIVIA

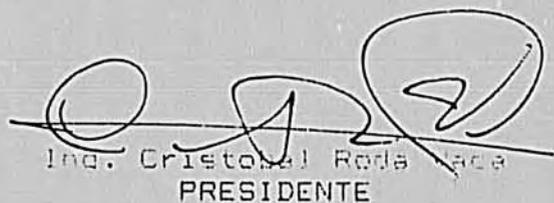
El monto de la asistencia de USAID  
estará sujeto a la aprobación de nuestra solicitud y a la  
disponibilidad de consultores especializados en el ramo, a  
ní el nacional e internacional.

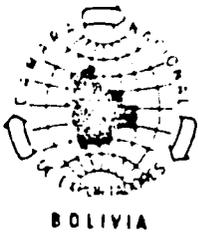
Seguros de contar con su amable  
colaboración, que sin duda alguna será de gran ayuda para la  
concretación de los objetivos que persigue el Instituto  
Boliviano de Comercio Exterior, hacemos propicia la  
oportunidad para expresarle las seguridades de nuestras más  
atendidas consideraciones.

"EXPORTAR. LA UNICA ALTERNATIVA PARA CRECER"

INSTITUTO BOLIVIANO DE COMERCIO EXTERIOR

  
Lic. Francisco J. Urceiros S.  
GERENTE GENERAL

  
Ing. Cristóbal Roda  
PRESIDENTE



# CAMARA NACIONAL DE EXPORTADORES

Afiliada a la Federación Latino Americana y del Caribe de Asociaciones de Exportadores

Miembro de la Confederación de Empresarios Privados de Bolivia

Miembro del Consejo Andino de Exportadores "CONANDEX"

## ANNEX C-2

La Paz, 11 de noviembre de 1988

CANEB 520/88



Señor  
Reese Moyers  
Jefe de Oficina Sector Privado  
USAID - BOLIVIA  
Presente.-

Señor Jefe de la Oficina Sector Privado:

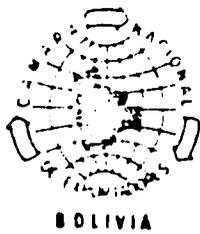
En distintas reuniones de trabajo con personeros de la Oficina Sector Privado de USAID y más concretamente en carta 202/88 del 24 de mayo pasado, enviada al Sr. Van Raalte Director de USAID, hemos planteado la necesidad de recibir asistencia técnica por medio de su proyecto "Promoción de Exportaciones" y acompañado un presupuesto tentativo del costo de tal cooperación que sería compartido por nuestra entidad. Para lograr el fortalecimiento de nuestra institución es necesario contar con dicha asistencia por parte de USAID dentro del programa aprobado en su proyecto "Promoción a las Exportaciones".

Esa solicitud puede ser enriquecida, luego de la reunión sostenida con el Sr. Timothy Seims, celebrada en nuestra sede el pasado viernes 4 del presente.

En efecto, pensamos que la cooperación de USAID-Bolivia podría orientarse hacia nuestra expansión institucional fortaleciendo las Cámaras Departamentales de Cochabamba, Tarija, Beni y Santa Cruz, además de la Cámara Nacional que cubre los intereses de los exportadores de La Paz. En este orden, nuestro sistema de información y procesamiento de la oferta exportable disponible en tiempo real para el exterior precisa de un sistema de computación nacional, conectado entre sí entre los cinco departamentos principales cubiertos por nuestra Cámara Nacional. Esto potenciará, al mismo tiempo, la puesta en marcha de nuevos servicios para fortalecer al sector privado exportador y colocarlo en un nivel de eficiencia con sus interlocutores estatales o extranjeros.

*J. H. ...*

EXPORTAR ES PROGRESAR



# CAMARA NACIONAL DE EXPORTADORES

Aliada a la Federación Latino Americana y del Caribe de Asociaciones de Exportadores

Miembro de la Confederación de Empresarios Privados de Bolivia

Miembro del Consejo Andino de Exportadores "CONANDEX"

//...

La descripción y eventual costo de estos dos rubros es el siguiente:

1. Expansión institucional, fortalecimiento de las Cámaras Nacional y Departamentales de Exportadores y fortalecimiento del sector exportador privado.

a. Adquisición del siguiente equipo:

DESCRIPCION	MONTO CALCULADO Sus
1 Computadora IBM-50 de 20 MB	5.200
1 Impresora EPSON, carro ancho	800
1 Red de Interconexión IBM	3.000
4 Terminales IBM en Cámaras filiales	13.000
4 Impresoras EPSON en Cámaras filiales	3.200
5 FAX - SHARP	9.000
	-----
	34.200 Subtotal

b. Adquisición para fortalecimiento institucional:

DESCRIPCION	MONTO CALCULADO Sus
5 Fotocopiadoras XEROX-1012	14.750
6 Máquinas de Escribir No 1, IBM	4.100
1 Central Telefónica	1.800
Muebles y material de escritorio	10.000
	-----
	30.650 Subtotal

Con relación a la asistencia en el área técnica, consideramos fundamental el desarrollar la asesoría en el establecimiento de algunas líneas de mercado potencial y la identificación de los productos a ofertarse, para lo que juzgamos necesario elaborar perfiles de mercado para productos bolivianos en Brasil, Argentina, Chile, Colombia, Perú y Venezuela. Asimismo una asesoría para analizar

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EXPORTAR ES PROGRESAR



# CAMARA NACIONAL DE EXPORTADORES

Afiliada a la Federación Latino Americana y del Caribe de Asociaciones de Exportadores

Miembro de la Confederación de Empresarios Privados de Bolivia

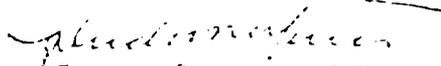
Miembro del Consejo Andino de Exportadores "CONANDEX"

//...

nuestra participación y perspectivas en el marco del Sistema Generalizado de Preferencias de los Estados Unidos de América, la Comunidad Económica Europea y el Japón. Por otra parte necesitamos contar con la cooperación de USAID-Bolivia para la contratación de personal en nuestra Cámara de dos profesionales senior asistidos por 4 junior por el lapso mínimo de 36 meses. Los costos y modalidades referentes al apoyo en el área técnica se pueden definir concertadamente. El monto de la asistencia de USAID estará sujeta a la aprobación de nuestra solicitud que la venimos sosteniendo desde 1987.

Seguros de contar con la cooperación del Gobierno de los Estados Unidos de América, a través de USAID, hago propicia la oportunidad para reiterarle las seguridades de mi más distinguida consideración.

CAMARA NACIONAL DE EXPORTADORES

  
Dr. Franz Ondarza Linares  
GERENTE GENERAL

AM/vsv.

EXPORTAR ES PROGRESAR

Dirección: Av. 20 de Octubre 2427. La Paz - Bolivia, Casilla 20744 - Cables: CANEB - Telfs. 341220 - 361491 - Telex 2565 ORCABOL

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# FEDERACION DE EMPRESARIOS PRIVADOS DE COCHABAMBA

Casilla de Correo 1807 - Teléfono 46544

Cochabamba - Bolivia

ANNEX C-3

Cite Nº 430/88

Cochabamba,  
8 de noviembre de 1988



FILE COPY  
SERIES TO  
...

Señor  
Reginald Van Raalte  
Director de USAID/BOLIVIA  
La Paz.

De nuestra consideración :

En distintas reuniones de trabajo con personeros de la Oficina Sector Privado de USAID, hemos planteado la necesidad de recibir cooperación de USAID/BOLIVIA mediante el Proyecto Promoción de Exportaciones y su sistema de información.

Para lograr el fortalecimiento de la Federación de Empresarios Privados, es urgente la asistencia técnica que USAID/BOLIVIA nos pueda ofrecer en mercadeo y producción, sistemas de información y fortalecimiento institucional. Esta asistencia podría estar orientada hacia la contratación de Consultores a corto plazo que nos asistan en el desarrollo y ejecución de los programas.

Actualmente, es urgente la necesidad de la instalación de un equipo de computadoras para el sistema de información. La Federación se compromete contratar los servicios de una bibliotecaria o un operador para el sistema de computación. El costo para el pago de salarios del mismo sera cubierto con fondos provenientes de USAID/BOLIVIA, durante los primeros tres años.

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Reply due.....		11/28	
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//..



## FEDERACION DE EMPRESARIOS PRIVADOS DE COCHABAMBA

//..

Esta Federación pondrá oficinas, personal de apoyo, si fuera necesario, y el material de escritorio correspondiente.

Seguros de contar con su amable cooperación, nos es grato renovarle las seguridades de nuestra especial consideración,

Ing. Roberto Peña Rodríguez  
PRESIDENTE

Lic. José E. Rivera Eterovic  
SECRETARIO EJECUTIVO

AID AMB DCM ECON POL

Rec'd 02/17

ANNEX D

File: PD&I

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RR RUEHLP  
DE RUEHC #8090/01 0480855  
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Action: SF  
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Reply due 02/24

E.O. 12356: N/A

Action tkn \_\_\_\_\_

TAGS:

SUBJECT: BOLIVIA EXPORT PROMOTION PROJECT PID (511-0588)

REF: STATE 390531

1. THE DAEC REVIEWED THE SUBJECT PID ON THURSDAY, JANUARY 21. THE PID WAS APPROVED AND THE MISSION MAY PROCEED WITH THE DESIGN OF THE PROJECT PAPER SUBJECT TO THE FOLLOWING GUIDELINES. THE MISSION IS ALSO HEREBY APPROVED TO AUTHORIZE AND OBLIGATE THE PROJECT IN THE FIELD, AS LONG AS IT IS EXECUTED IN ACCORDANCE WITH BUREAU GUIDANCE CONTAINED REFTEL WHICH PROVIDES THAT ONLY ONE OF THE TWO NEW USAID BOLIVIA PROPOSED PRIVATE SECTOR PROJECTS (MICRC AND SMALL ENTERPRISE AND EXPORT PROMOTION) BE OBLIGATED THIS FY. THE BUREAU'S STRONG PREFERENCE IS TO DELAY OBLIGATION OF THIS PROJECT UNTIL NEXT FY:

2. EXPORT STRATEGY: DURING INTENSIVE REVIEW, THE MISSION IS TO ANALYZE THE POTENTIAL FOR EXPANSION OF NON-TRADITIONAL EXPORTS, AS WELL AS MARKETS. THE EXTENT AND COMMITMENT OF LOCAL CAPITAL AND OTHER RESOURCES FOR NON-TRADITIONAL EXPORTS SHOULD ALSO BE EXAMINED. BOTH

OF THESE ANALYSES WILL ASSIST IN PROVIDING A JUSTIFICATION, WHICH SHOULD BE CONTAINED IN THE PP, FOR THE MISSION'S ESTIMATED INCREASE IN NON-TRADITIONAL EXPORTS OVER THE LIFE OF THE PROJECT. FINALLY, THE MISSION IS URGED TO CONCENTRATE ITS EFFORTS FIRST ON DEVELOPING THE EXPORT CAPACITY FOR THOSE COMMODITIES WHICH ARE ALREADY BEING PRODUCED IN BOLIVIA AND FOR WHICH PRODUCTION CAN BE EASILY INCREASED.

3. LAUTENBERG/BUMPERS' AMENDMENTS RESTRICTIONS: THE DAEC REVIEWED THE MISSION'S SUGGESTIONS (PG. 12 OF THE PID) FOR DEALING WITH THE BUMPERS AND LAUTENBERG AMENDMENTS, AND ASKS THAT THE PP LAY OUT IN MORE EXPLICIT DETAIL HOW THESE WILL BE IMPLEMENTED. FOR BUMPERS, THE MISSION IN THE PP SHOULD ANALYZE THE POSSIBLE AGRICULTURAL COMMODITIES TO BE FINANCED TO ATTEMPT TO DETERMINE THAT EACH PRODUCT CANNOT HAVE A SIGNIFICANT IMPACT ON U.S. EXPORTS OF SIMILAR COMPETING COMMODITIES. THE APPROACH IN THE PID IS SOUND BUT THE

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MISSION SHOULD COMPLETE AND UPDATE THE ANALYSIS FOR THE PP.

FOR LAUTENBERG, THE BUREAU WOULD ASK THAT THE MISSION INVOLVE THE RLA IN THE PROJECT DESIGN PROCESS TO ASSURE THAT THESE RESTRICTIONS ARE TAKEN INTO ACCOUNT DURING PROJECT DEVELOPMENT. THE MISSION AND RLA SHOULD CONSULT WITH LAC/GC AFTER ALL REQUIRED PP ANALYSES HAVE BEEN COMPLETED TO DETERMINE WHETHER SPECIFIC LANGUAGE REGARDING LAUTENBERG SHOULD BE IN THE PROAG. SINCE INPEX IS AN INTERMEDIARY FINANCING INSTITUTION AND FUNDS CHanneled THROUGH IT MAY CONSTITUTE QUOTE INDIRECT ASSISTANCE UNQUOTE, LAUTENBERG MAY NOT APPLY TO THIS COMPONENT. SIMILARLY, THE CREDIT FINANCING WOULD NOT APPEAR TO CONSTITUTE QUOTE DIRECT ASSISTANCE UNQUOTE AS THAT TERM IS USED BY LAUTENBERG (SECTION 559 OF THE FY 87 FOREIGN ASSISTANCE APPROPRIATIONS ACT) UNLESS; (1) IN PROVIDING THE ASSISTANCE AID INTENDS TO SUPPORT IDENTIFIABLE BENEFICIARIES OR SPECIFIC TYPES OF ACTIVITIES (SUCH AS TEXTILE AND APPAREL EXPORT MANUFACTURING PROJECTS) LIKELY TO BE FUNDED BY THE INTERMEDIARY, OR (2) IN THE AGREEMENT WITH THE INTERMEDIARY A.I.D. RETAINS THE AUTHORITY TO APPROVE OR DISAPPROVE ALL SUBPROJECTS OR ALL CATEGORIES OF SUBLOANS OR INVESTMENTS. NONETHELESS, THE MISSION SHOULD MONITOR THE INPEX SUBPROJECTS CLOSELY, ESPECIALLY THOSE ACTIVITIES THAT CONSTITUTE QUOTE DIRECT UNQUOTE ASSISTANCE UNDER LAUTENBERG, ALTHOUGH THE GOB WILL HAVE THE PRIMARY RESPONSIBILITY FOR COMPLIANCE WITH THE

AMENDMENT AND A.I.D. GUIDELINES.

4. INSTITUTIONAL BASE: THE DIFFICULTIES WHICH OTHER LAC MISSIONS HAVE EXPERIENCED IN TRYING TO IMPLEMENT SIMILAR PROJECTS THROUGH QUASI-PUBLIC SECTOR AGENCIES WAS NOTED AT THE DAEC. DURING PROJECT DESIGN, USAID SHOULD EXAMINE THE OTHER LAC EXPERIENCES FOUND IN THIS TYPE OF PROJECT.

THE PP SHOULD DESCRIBE CLEARLY THE MISSION'S AND GOB STRATEGY FOR THE DEVELOPMENT OF INPEX AS A VIABLE EXPORT DEVELOPMENT ORGANIZATION. THE PP SHOULD LAY OUT THE INSTITUTIONAL STRUCTURE OF INPEX, AND THE SOURCE OF FINANCING FOR PROGRAMMATIC AND OPERATIONAL, PARTICULARLY RECURRING COSTS. A.I.D. FINANCING FOR RECURRING COSTS SHOULD BE DESIGNED TO BE MINIMAL AND CLEARLY IDENTIFIABLE AT THE PP STAGE. CORE FUNCTIONS OF THE INPEX, SUCH AS THE PROVISION OF TECHNICAL ASSISTANCE, MARKET ANALYSIS AND DEVELOPMENT, AND FEASIBILITY STUDIES SHOULD BE DESIGNED TO BE ULTIMATELY SELF-FINANCING.

5. CREDIT FUND: THE DAEC REVIEWED THE RATIONALE FOR PRE AND POST EMPARKATION CREDIT, QUESTIONING WHETHER THIS COMPONENT WAS NEEDED IN LIGHT OF THE MISSION'S NUMEROUS OTHER CREDIT LINES. ALTHOUGH THE BUREAU ACCEPTS THE NEED FOR SHORT-TERM WORKING CAPITAL FOR EXPORTS, WITH THE SHORTAGE OF SDA FUNDS AND THE NUMBER OF NEW STARTS IN FY 88, THE MISSION SHOULD SEEK OTHER ALTERNATIVES, PERHAPS USING LOCAL CURRENCY, TO FUND THIS COMPONENT.

THE PP SHOULD ALSO CLEARLY DESCRIBE THE PROCEDURES USED BY THE CENTRAL BANK (BCB) TO ONLEND TO THE PRIVATE FINANCIAL INSTITUTIONS. THE CRITERIA DEVELOPED BY THE BCB FOR LENDING BY THE ICIS SHOULD ENSURE THAT THERE IS SOME INPUT/RISK ON THE PART OF THE PRIVATE BANKS. THE MISSION IS TO ALSO ASSURE THAT THE LOAN APPROVAL AND DISBURSEMENT PROCEDURES BETWEEN THE CENTRAL BANK AND THE ICIS ARE STREAMLINED SO THAT THE FUNDS FLOW EXPEDITIOUSLY TO THE FINAL BORROWER. REGARDING INTEREST RATES, IT WAS RECOGNIZED THAT A QUOTE MARKET RATE UNQUOTE IS VIRTUALLY IMPOSSIBLE TO DETERMINE GIVEN THE FRACTURED FINANCIAL SYSTEM IN BOLIVIA. IT WAS AGREED THAT A POSITIVE REAL INTEREST RATE WOULD BE USED FOR THE PROJECT AND THE RATE WOULD BE EXPLAINED AND JUSTIFIED IN THE PP. IN ADDITION, A PROCEDURE FOR PERIODIC REVIEW OF THE INTEREST RATE OVER THE LIFE OF THE PROJECT SHOULD BE ESTABLISHED, TO ASSURE THAT THE CREDIT RATE IS REVIEWED AGAINST A CRITERIA OF ECONOMIC EFFICIFNCY, AND THUS NOT CREATING DISTORTIONS IN THE MARKET.

6. POLICY DIALOGUE: THE PID STATES THAT THERE ARE SEVERAL LEGAL AND GOB BUREAUCRATIC IMPEDIMENTS TO THE EXPANSION OF EXPORTS IN BOLIVIA. DURING INTENSIVE REVIEW THE MISSION IS TO IDENTIFY TFOSE POLICY ISSUES THAT CAN BE ADDRESSED IN THE SHORT-TERM AND USED AS CONDITIONALITY FOR THE PROJECT AND THOSE THAT REQUIRE LONGER-TERM ANALYSIS AND STUDY AND MUST BE DEALT WITH DURING THE COURSE OF THE PROJECT. HOWEVER, THE MISSION SHOULD AVOID IDENTIFYING THE USG WITH ANY PROPOSALS TO SUBSIDIZE EXPORTS, WHICH IS COUNTER TO USG AND GATT POLICY, SUCH AS THE SUGGESTED 10 PERCENT REBATE OF THE VALUE OF NON-TRADITIONAL EXPORTS. THE PP SHOULD ALSO DISCUSS HOW THE POLICY DIALOGUE WILL BE CARRIED OUT, ESPECIALLY IF INPEX OR ANOTHER PRIVATE INSTITUTION IS THE PRIMARY GRANTEE.

7. PP DESIGN SCHEDULE: THE MISSION IS TO REEXAMINE ITS DESIGN SCHEDULE TO ASSURE THAT THERE IS ADEQUATE TIME TO CARRY OUT THE PROPOSED ANALYSES AND STUDIES DESCRIBED IN PARAS 1-4 ABOVE. SHULTZ

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ANNEX D 1

RESPONSE TO PID GUIDANCE CABLE COMMENTS

1. Export Strategy: See pages 7-9, pages 15-20 and Economic Analysis Section of Annex A.
2. Lautenberg/Bumpers' Amendments Restrictions: See pages 30-36 and pages 54-55.
3. Institutional Base: The team of consultants had ample knowledge of similar projects in Latin America. Their recommendations were considered in the final project design. Also, see Parts IV and V and the institutional analysis section of Annex A for information related to DAEC comments on this subject.
4. Credit Fund: See Parts IV and V.
5. Policy Dialogue: Most of the policy issues, such as bureaucratic impediments to exports, will be addressed during project implementation as described in Parts V and VI of the Project Paper. The other issues are contained in Part VII. Regarding the CRA, it should be noted that the CRA was established by a GOB Decree long before the conception of the Project and would have existed with or without the USAID-sponsored project. It is part of the GOB plan to promote exports and reactivate the economy. From the point of view of the Project, the CRA is important because it will generate the required services for the operation of INPEX, as shown in the institutional analysis.

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## SC(1) - COUNTRY CHECKLIST

Listed below are statutory criteria applicable to: (A) FAA funds generally; (B)(1) Development Assistance funds only; or (B)(2) the Economic Support Fund only.

A. GENERAL CRITERIA FOR COUNTRY ELIGIBILITY

1. FY 1988 Continuing Resolution Sec. 526.

Has the President certified to the Congress that the government of the recipient country is failing to take adequate measures to prevent narcotic drugs or other controlled substances which are cultivated, produced or processed illicitly, in whole or in part, in such country or transported through such country, from being sold illegally within the jurisdiction of such country to United States Government personnel or their dependents or from entering the United States unlawfully?

No.

2. FAA Sec. 481(h). (This provision applies to assistance of any kind provided by grant, sale, loan, lease, credit, guaranty, or insurance, except assistance from the Child Survival Fund or relating to international narcotics control, disaster and refugee relief, or the provision of food or medicine.) If the recipient is a "major illicit drug producing country" (defined as a country producing during a fiscal year at least five metric tons of opium or 500 metric tons of coca or marijuana) or a "major drug-transit country" (defined as a country that is a significant direct source of illicit drugs significantly affecting the United States, through which such drugs are transported, or through which significant sums of drug-related profits are laundered with the knowledge or complicity of the government), has the President in the March 1 International Narcotics Control Strategy Report (INSCR) determined and certified to the Congress (without

Yes.

Congressional enactment, within 30 days of continuous session, of a resolution disapproving such a certification), or has the President determined and certified to the Congress on any other date (with enactment by Congress of a resolution approving such certification), that (a) during the previous year the country has cooperated fully with the United States or taken adequate steps on its own to prevent illicit drugs produced or processed in or transported through such country from being transported into the United States, and to prevent and punish drug profit laundering in the country, or that (b) the vital national interests of the United States require the provision of such assistance?

Yes.

Drug Act Sec. 2013. (This section applies to the same categories of assistance subject to the restrictions in FAA Sec. 401(h), above.) If recipient country is a "major illicit drug producing country" or "major drug-transit country" (as defined for the purpose of FAA Sec 401(h)), has the President submitted a report to Congress listing such country as one (a) which, as a matter of government policy, encourages or facilitates the production or distribution of illicit drugs; (b) in which any senior official of the government engages in, encourages, or facilitates the production or distribution of illegal drugs; (c) in which any member of a U.S. Government agency has suffered or been threatened with violence inflicted by or with the complicity of any government officer; or (d) which fails to provide reasonable cooperation to lawful activities of U.S. drug enforcement agents, unless the President has provided the required certification to Congress pertaining to U.S. national interests and the drug control and criminal prosecution efforts of that country?

No.

4. FAA Sec. 620(c). If assistance is to a government, is the government liable as debtor or unconditional guarantor on any debt to a U.S. citizen for goods or services furnished or ordered where (a) such citizen has exhausted available legal remedies and (b) the debt is not denied or contested by such government? No.
  
5. FAA Sec. 620(e)(1). If assistance is to a government, has it (including any government agencies or subdivisions) taken any action which has the effect of nationalizing, expropriating, or otherwise seizing ownership or control of property of U.S. citizens or entities beneficially owned by them without taking steps to discharge its obligations toward such citizens or entities? No.
  
6. FAA Secs. 620(a), 620(f), 620D; FY 1988 Continuing Resolution Sec. 512. Is recipient country a Communist country? if so, has the President determined that assistance to the country is vital to the security of the United States, that the recipient country is not controlled by the international Communist conspiracy, and that such assistance will further promote the independence of the recipient country from international communism? Will assistance be provided directly to Angola, Cambodia, Cuba, Iraq, Libya, Vietnam, South Yemen, Iran or Syria? Will assistance be provided to Afghanistan without a certification? No.
  
7. FAA Sec. 620(i). Has the country permitted, or failed to take adequate measures to prevent, damage or destruction by mob action of U.S. property? No.
  
8. FAA Sec. 620(l). Has the country failed to enter into an investment guaranty agreement with OPIC? No.

9. FAA Sec. 620(o); Fishermen's Protective Act of 1967 (as amended) Sec. 5. (a) Has the country seized, or imposed any penalty or sanction against, any U.S. fishing vessel because of fishing activities in international waters? No.
- (b) If so, has any deduction required by the Fishermen's Protective Act been made?
10. FAA Sec. 620(q); FY 1988 Continuing Resolution Sec. 51B. (a) Has the government of the recipient country been in default for more than six months on interest or principal of any loan to the country under the FAA? a) Yes (waived)
- (b) Has the country been in default for more than one year on interest or principal on any U.S. loan under a program for which the FY 1988 Continuing Resolution appropriates funds? b) No.
11. FAA Sec. 620(s). If contemplated assistance is development loan or to come from Economic Support Fund, has the Administrator taken into account the percentage of the country's budget and amount of the country's foreign exchange or other resources spent on military equipment? (Reference may be made to the annual "Taking Into Consideration" memo: "Yes, taken into account by the Administrator at time of approval of Agency OYB." This approval by the Administrator of the Operational Year Budget can be the basis for an affirmative answer during the fiscal year unless significant changes in circumstances occur.) Yes, taken into account by the Administrator at time of approval of Agency OYB.
12. FAA Sec. 620(t). Has the country severed diplomatic relations with the United States? If so, have relations been resumed and have new bilateral assistance agreements been negotiated and entered into since such resumption? No.

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13. FAA Sec. 620(u). What is the payment status of the country's U.N. obligations? If the country is in arrears, were such arrearages taken into account by the A.I.D. Administrator in determining the current A.I.D. Operational Year Budget? (Reference may be made to the Taking into Consideration memo.)
- Taken into consideration by the Administrator at the time of approval of Agency OYB.
14. FAA Sec. 620A. Has the President determined that the recipient country grants sanctuary from prosecution to any individual or group which has committed an act of international terrorism or otherwise supports international terrorism?
- No.
15. FY 1988 Continuing Resolution Sec. 576. Has the country been placed on the list provided for in Section 6(j) of the Export Administration Act of 1979 (currently Libya, Iran, South Yemen, Syria, Cuba, or North Korea)?
- No.
16. ISDCA of 1985 Sec. 552(b). Has the Secretary of State determined that the country is a high terrorist threat country after the Secretary of Transportation has determined, pursuant to section 1115(e)(2) of the Federal Aviation Act of 1958, that an airport in the country does not maintain and administer effective security measures?
- No.
17. FAA Sec. 666(b). Does the country object, on the basis of race, religion, national origin or sex, to the presence of any officer or employee of the U.S. who is present in such country to carry out economic development programs under the FAA?
- No.
18. FAA Secs. 669, 670. Has the country, after August 3, 1977, delivered to any other country or received nuclear enrichment or reprocessing equipment, materials, or technology, without specified arrangements or safeguards, and without special certification by the President? Has it transferred a nuclear explosive device to a non-nuclear weapon state, or if such a state, either received or detonated a nuclear explosive device? (FAA Sec. 620E permits a special waiver of Sec. 669 for Pakistan.)
- No.
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19. FAA Sec. 670. If the country is a non-nuclear weapon state, has it, on or after August 8, 1985, exported (or attempted to export) illegally from the United States any material, equipment, or technology which would contribute significantly to the ability of a country to manufacture a nuclear explosive device? No.
20. ISDCA of 1981 Sec. 720. Was the country represented at the Meeting of Ministers of Foreign Affairs and Heads of Delegations of the Non-Aligned Countries to the 36th General Assembly of the U.N. on Sept. 25 and 28, 1981, and did it fail to disassociate itself from the communique issued? If so, has the President taken it into account? (Reference may be made to the Taking into Consideration memo.) Taken into consideration by the Administrator at the time of approval of the Agency OYB.
21. FY 1988 Continuing Resolution Sec. 528. Has the recipient country been determined by the President to have engaged in a consistent pattern of opposition to the foreign policy of the United States? No.
22. FY 1988 Continuing Resolution Sec. 513. Has the duly elected Head of Government of the country been deposed by military coup or decree? If assistance has been terminated, has the President notified Congress that a democratically elected government has taken office prior to the resumption of assistance? No.
23. FY 1988 Continuing Resolution Sec. 543. Does the recipient country fully cooperate with the international refugee assistance organizations, the United States, and other governments in facilitating lasting solutions to refugee situations, including resettlement without respect to race, sex, religion, or national origin? Yes.

B. FUNDING SOURCE CRITERIA FOR COUNTRY ELIGIBILITY

1. Development Assistance Country Criteria

FAA Sec. 116. Has the Department of State determined that this government has engaged in a consistent pattern of gross violations of internationally recognized human rights? If so, can it be demonstrated that contemplated assistance will directly benefit the needy?

No.

FY 1988 Continuing Resolution Sec. 538. Has the President certified that use of DA funds by this country would violate any of the prohibitions against use of funds to pay for the performance of abortions as a method of family planning, to motivate or coerce any person to practice abortions, to pay for the performance of involuntary sterilization as a method of family planning, to coerce or provide any financial incentive to any person to undergo sterilizations, to pay for any biomedical research which relates, in whole or in part, to methods of, or the performance of, abortions or involuntary sterilization as a means of family planning?

No.

2. Economic Support Fund Country Criteria

FAA Sec. 502B. Has it been determined that the country has engaged in a consistent pattern of gross violations of internationally recognized human rights? If so, has the President found that the country made such significant improvement in its human rights record that furnishing such assistance is in the U.S. national interest?

No.

FY 1988 Continuing Resolution Sec. 549. Has this country met its drug eradication targets or otherwise taken significant steps to halt illicit drug production or trafficking?

Yes.

## 5C(2) - PROJECT CHECKLIST

Listed below are statutory criteria applicable to projects. This section is divided into two parts. Part A includes criteria applicable to all projects. Part B applies to projects funded from specific sources only: B(1) applies to all projects funded with Development Assistance; B(2) applies to projects funded with Development Assistance loans; and B(3) applies to projects funded from ESF.

CROSS REFERENCES: IS COUNTRY CHECKLIST UP TO DATE? HAS STANDARD ITEM CHECKLIST BEEN REVIEWED FOR THIS PROJECT?

### A. GENERAL CRITERIA FOR PROJECT

1. FY 1988 Continuing Resolution Sec. 523; FAA Sec. 634A. If money is sought to obligated for an activity not previously justified to Congress, or for an amount in excess of amount previously justified to Congress, has Congress been properly notified? Yes.
2. FAA Sec. 611(a)(1). Prior to an obligation in excess of \$500,000, will there be (a) engineering, financial or other plans necessary to carry out the assistance, and (b) a reasonably firm estimate of the cost to the U.S. of the assistance? Yes.  
Yes.
3. FAA Sec. 611(a)(2). If legislative action is required within recipient country, what is the basis for a reasonable expectation that such action will be completed in time to permit orderly accomplishment of the purpose of the assistance? N/A

4. FAA Sec. 611(b); FY 1988 Continuing Resolution Sec. 501. If project is for water or water-related land resource construction, have benefits and costs been computed to the extent practicable in accordance with the principles, standards, and procedures established pursuant to the Water Resources Planning Act (42 U.S.C. 1962, et seq.)? (See A.I.D. Handbook 3 for guidelines.) N/A
5. FAA Sec. 611(e). If project is capital assistance (e.g., construction), and total U.S. assistance for it will exceed \$1 million, has Mission Director certified and Regional Assistant Administrator taken into consideration the country's capability to maintain and utilize the project effectively? N/A
6. FAA Sec. 209. Is project susceptible to execution as part of regional or multilateral project? If so, why is project not so executed? Information and conclusion whether assistance will encourage regional development programs. No., N/A
7. FAA Sec. 601(a). Information and conclusions on whether projects will encourage efforts of the country to:  
(a) increase the flow of international trade; (b) foster private initiative and competition; (c) encourage development and use of cooperatives, credit unions, and savings and loan associations; (d) discourage monopolistic practices; (e) improve technical efficiency of industry, agriculture and commerce; and (f) strengthen free labor unions.  
(a) The Project will increase the availability of goods for export by the private sector and may promote the import of productive goods.  
(b) Yes. The Project will be carried out through the private sector.  
(c) These organizations may participate in the Project.  
(d) Yes.  
(e) Yes.  
(f) N/A
8. FAA Sec. 601(b). Information and conclusions on how project will encourage U.S. private trade and investment abroad and encourage private U.S. participation in foreign assistance programs (including use of private trade channels and the services of U.S. private enterprise). Productive inputs from the US will be imported. The Project will be carried out through the private sector. US private sector investments will be encouraged.
9. FAA Secs. 612(b), 636(h). Describe steps taken to assure that, to the maximum extent possible, the country is contributing local currencies to meet the cost of contractual and other services, and foreign currencies owned by the U.S. are utilized in lieu of dollars. Such are steps included in the Project Grant Agreement.

10. FAA Sec. 612(d). Does the U.S. own excess foreign currency of the country and, if so, what arrangements have been made for its release? No.
11. FY 1988 Continuing Resolution Sec. 521. If assistance is for the production of any commodity for export, is the commodity likely to be in surplus on world markets at the time the resulting productive capacity becomes operative, and is such assistance likely to cause substantial injury to U.S. producers of the same, similar or competing commodity? No.
12. FY 1988 Continuing Resolution Sec. 553. Will the assistance (except for programs in Caribbean Basin Initiative countries under U.S. Tariff Schedule "Section 807," which allows reduced tariffs on articles assembled abroad from U.S.-made components) be used directly to procure feasibility studies, prefeasibility studies, or project profiles of potential investment in, or to assist the establishment of facilities specifically designed for, the manufacture for export to the United States or to third country markets in direct competition with U.S. exports, of textiles, apparel, footwear, handbags, flat goods (such as wallets or coin purses worn on the person), work gloves or leather wearing apparel? No. Project implementation will be fully consistent with relevant US legislation, USG policy determinations, regulations etc.
13. FAA Sec. 119(g)(4)-(6). Will the assistance (a) support training and education efforts which improve the capacity of recipient countries to prevent loss of biological diversity; (b) be provided under a long-term agreement in which the recipient country agrees to protect ecosystems or other wildlife habitats; (c) support efforts to identify and survey ecosystems in recipient countries worthy of protection; or (d) by any direct or indirect means significantly degrade national parks or similar protected areas or introduce exotic plants or animals into such areas? N/A

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14. FAA 121(d). If a Sahel project, has a determination been made that the host government has an adequate system for accounting for and controlling receipt and expenditure of project funds (either dollars or local currency generated therefrom)? N/A
15. FY 1988 Continuing Resolution. If assistance is to be made to a United States PVO (other than a cooperative development organization), does it obtain at least 20 percent of its total annual funding for international activities from sources other than the United States Government? N/A
16. FY Continuing Resolution Sec. 541. If assistance is being made available to a PVO, has that organization provided upon timely request any document, file, or record necessary to the auditing requirements of A.I.D., and is the PVO registered with A.I.D.? N/A
17. FY 1988 Continuing Resolution Sec. 514. If funds are being obligated under an appropriation account to which they were not appropriated, has prior approval of the Appropriations Committees of Congress been obtained? N/A
18. FY Continuing Resolution Sec. 515. If deob/reob authority is sought to be exercised in the provision of assistance, are the funds being obligated for the same general purpose, and for countries within the same general region as originally obligated, and have the Appropriations Committees of both Houses of Congress been properly notified? N/A
19. State Authorization Sec. 139 (as interpreted by conference report). Has confirmation of the date of signing of the project agreement, including the amount involved, been cabled to State L/T and A.I.D. LEG within 60 days of the agreement's entry into force with respect to the United States, and has the full text of the agreement been pouched to those same offices? (See Handbook J, Appendix 6G for agreements covered by this provision). Yes.

B. FUNDING CRITERIA FOR PROJECT

1. Development Assistance Project Criteria

a. FY 1988 Continuing Resolution Sec. 552 (as interpreted by conference report). If assistance is for agricultural development activities (specifically, any testing or breeding feasibility study, variety improvement or introduction, consultancy, publication, conference, or training), are such activities (a) specifically and principally designed to increase agricultural exports by the host country to a country other than the United States, where the export would lead to direct competition in that third country with exports of a similar commodity grown or produced in the United States, and can the activities reasonably be expected to cause substantial injury to U.S. exporters of a similar agricultural commodity; or (b) in support of research that is intended primarily to benefit U.S. producers?

N/A

b. FAA Secs. 102(b), 111, 113, 281(a). Describe extent to which activity will (a) effectively involve the poor in development by extending access to economy at local level, increasing labor-intensive production and the use of appropriate technology, dispersing investment from cities to small towns and rural areas, and

(a) One of the purposes is to create employment and raise the level of income of these people. Labor intensive industries, such as knitwear, will qualify for credit and other assistance.

insuring wide participation of the poor in the benefits of development on a sustained basis, using appropriate U.S. institutions; (b) help develop cooperatives, especially by technical assistance, to assist rural and urban poor to help themselves toward a better life, and otherwise encourage democratic private and local governmental institutions; (c) support the self-help efforts of developing countries; (d) promote the participation of women in the national economies of developing countries and the improvement of women's status; and (e) utilize and encourage regional cooperation by developing countries.

(b) Yes, the Project will strengthen private sector organizations in the export field.

(c) Yes.

(d) Yes, women will be active participants in the Project.

(e) Complements efforts of other donors.

c. FAA Secs. 103, 103A, 104, 105, 106, 120-21. Does the project fit the criteria for the source of funds (functional account) being used?

Yes.

d. FAA Sec. 107. Is emphasis placed on use of appropriate technology (relatively smaller, cost-saving, labor-using technologies that are generally most appropriate for the small farms, small businesses, and small incomes of the poor)?

Yes.

e. FAA Secs. 110, 124(d). Will the recipient country provide at least 25 percent of the costs of the program, project, or activity with respect to which the assistance is to be furnished (or is the latter cost-sharing requirement being waived for a "relatively least developed" country)?

Yes. 25% will be provided from Bolivian sources.

f. FAA Sec. 128(b). If the activity attempts to increase the institutional capabilities of private organizations or the government of the country, or if it attempts to stimulate scientific and technological research, has it been designed and will it be monitored to ensure that the ultimate beneficiaries are the poor majority?

Yes, through the employment creation results of the Project.

- g. FAA Sec. 281(b). Describe extent to which program recognizes the particular needs, desires, and capacities of the people of the country; utilizes the country's intellectual resources to encourage institutional development; and supports civil education and training in skills required for effective participation in governmental processes essential to self-government. The Project design is based in the specific needs of Bolivian entrepreneurs and will be carried out through local private sector organizations.
- h. FY 1988 Continuing Resolution Sec. 538. Are any of the funds to be used for the performance of abortions as a method of family planning or to motivate or coerce any person to practice abortions? No.
- Are any of the funds to be used to pay for the performance of involuntary sterilization as a method of family planning or to coerce or provide any financial incentive to any person to undergo sterilizations? No.
- Are any of the funds to be used to pay for any biomedical research which relates, in whole or in part, to methods of, or the performance of, abortions or involuntary sterilization as a means of family planning? No.
- i. FY 1988 Continuing Resolution. Is the assistance being made available to any organization or program which has been determined to support or participate in the management of a program of coercive abortion or involuntary sterilization? No.
- If assistance is from the population functional account, are any of the funds to be made available to voluntary family planning projects which do not offer, either directly or through referral to or information about access to, a broad range of family planning methods and services? N/A

- j. FAA Sec. 601(e). Will the project utilize competitive selection procedures for the awarding of contracts, except where applicable procurement rules allow otherwise?
- k. FY 1980 Continuing Resolution. What portion of the funds will be available only for activities of economically and socially disadvantaged enterprises, historically black colleges and universities, colleges and universities having a student body in which more than 20 percent of the students are Hispanic Americans, and private and voluntary organizations which are controlled by individuals who are black Americans, Hispanic Americans, or Native Americans, or who are economically or socially disadvantaged (including women)?
- l. FAA Sec. 118(c). Does the assistance comply with the environmental procedures set forth in A.I.D. Regulation 16? Does the assistance place a high priority on conservation and sustainable management of tropical forests? Specifically, does the assistance, to the fullest extent feasible: (a) stress the importance of conserving and sustainably managing forest resources; (b) support activities which offer employment and income alternatives to those who otherwise would cause destruction and loss of forests, and help countries identify and implement alternatives to colonizing forested areas; (c) support training programs, educational efforts, and the establishment or strengthening of institutions to improve forest management; (d) help end destructive slash-and-burn agriculture by supporting stable and productive farming practices; (e) help conserve forests which have not yet been degraded by helping to increase production on lands already cleared

Yes.

Procurement of most T.A. services will be competed following Federal Acquisition regulations.

Yes.

(a) - (k): N/A

or degraded; (f) conserve forested watersheds and rehabilitate those which have been deforested; (g) support training, research, and other actions which lead to sustainable and more environmentally sound practices for timber harvesting, removal, and processing; (h) support research to expand knowledge of tropical forests and identify alternatives which will prevent forest destruction, loss, or degradation; (i) conserve biological diversity in forest areas by supporting efforts to identify, establish, and maintain a representative network of protected tropical forest ecosystems on a worldwide basis, by making the establishment of protected areas a condition of support for activities involving forest clearance or degradation, and by helping to identify tropical forest ecosystems and species in need of protection and establish and maintain appropriate protected areas; (j) seek to increase the awareness of U.S. government agencies and other donors of the immediate and long-term value of tropical forests; and (k) utilize the resources and abilities of all relevant U.S. government agencies?

- m. FAA Sec. 118(c)(13). If the assistance will support a program or project significantly affecting tropical forests (including projects involving the planting of exotic plant species), will the program or project (a) be based upon careful analysis of the alternatives available to achieve the best sustainable use of the land, and (b) take full account of the environmental impacts of the proposed activities on biological diversity?

N/A

- n. FAA Sec. 110(c)(14). Will assistance be used for (a) the procurement or use of logging equipment, unless an environmental assessment indicates that all timber harvesting operations involved will be conducted in an environmentally sound manner and that the proposed activity will produce positive economic benefits and sustainable forest management systems; or (b) actions which will significantly degrade national parks or similar protected areas which contain tropical forests, or introduce exotic plants or animals into such areas? N/A
- o. FAA Sec. 110(c)(15). Will assistance be used for (a) activities which would result in the conversion of forest lands to the rearing of livestock; (b) the construction, upgrading, or maintenance of roads (including temporary haul roads for logging or other extractive industries) which pass through relatively undegraded forest lands; (c) the colonization of forest lands; or (d) the construction of dams or other water control structures which flood relatively undegraded forest lands, unless with respect to each such activity an environmental assessment indicates that the activity will contribute significantly and directly to improving the livelihood of the rural poor and will be conducted in an environmentally sound manner which supports sustainable development? N/A
- p. FY 1988 Continuing Resolution If assistance will come from the Sub-Saharan Africa DA account, is it (a) to be used to help the poor majority in Sub-Saharan Africa through a process of long-term development and economic growth that is equitable, participatory, environmentally sustainable, and self-reliant; (b) being provided in N/A

accordance with the policies contained in section 102 of the FAA; (c) being provided, when consistent with the objectives of such assistance, through African, United States and other PVOs that have demonstrated effectiveness in the promotion of local grassroots activities on behalf of long-term development in Sub-Saharan Africa; (d) being used to help overcome shorter-term constraints to long-term development, to promote reform of sectoral economic policies, to support the critical sector priorities of agricultural production and natural resources, health, voluntary family planning services, education, and income generating opportunities, to bring about appropriate sectoral restructuring of the Sub-Saharan African economies, to support reform in public administration and finances and to establish a favorable environment for individual enterprise and self-sustaining development, and to take into account, in assisted policy reforms, the need to protect vulnerable groups; (e) being used to increase agricultural production in ways that protect and restore the natural resource base, especially food production, to maintain and improve basic transportation and communication networks, to maintain and restore the natural resource base in ways that increase agricultural production, to improve health conditions with special emphasis on meeting the health needs of mothers and children, including the establishment of self-sustaining primary health care systems that give priority to preventive care, to provide increased access to voluntary family planning services, to improve basic literacy and mathematics especially to those outside the formal educational system and to improve primary education, and to develop income-generating opportunities for the unemployed and underemployed in urban and rural areas?

2. Development Assistance Project Criteria  
(Loans Only)

(Project is  
100% Grant)

- a. FAA Sec. 122(b). Information and conclusion on capacity of the country to repay the loan at a reasonable rate of interest. N/A
  
- b. FAA Sec. 620(d). If assistance is for any productive enterprise which will compete with U.S. enterprises, is there an agreement by the recipient country to prevent export to the U.S. of more than 20 percent of the enterprise's annual production during the life of the loan, or has the requirement to enter into such an agreement been waived by the President because of a national security interest? N/A
  
- c. FY 1988 Continuing Resolution. If for a loan to a private sector institution from funds made available to carry out the provisions of FAA Sections 103 through 106, will loan be provided, to the maximum extent practicable, at or near the prevailing interest rate paid on Treasury obligations of similar maturity at the time of obligating such funds? N/A
  
- d. FAA Sec. 122(b). Does the activity give reasonable promise of assisting long-range plans and programs designed to develop economic resources and increase productive capacities? N/A

3. Economic Support Fund Project Criteria

- a. FAA Sec. 531(a). Will this assistance promote economic and political stability? To the maximum extent feasible, is this assistance consistent with the policy directions, purposes, and programs of Part I of the FAA? N/A
  
- b. FAA Sec. 531(e). Will this assistance be used for military or paramilitary purposes? N/A
  
- c. FAA Sec. 609. If commodities are to be granted so that sale proceeds will accrue to the recipient country, have Special Account (counterpart) arrangements been made? N/A

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ANNEX F

Section 611 (E) Determination

CERTIFICATION PURSUANT TO SECTION 611 (E) OF THE  
FOREIGN ASSISTANCE ACT OF 1961, AS AMENDED

I, H. Robert Kramer, as Acting Mission Director of the Agency for International Development Mission to Bolivia, having taken into account, among other things, the maintenance and utilization of projects previously financed by USAID/Bolivia, do hereby certify that in my judgement the Government of Bolivian and the participating Bolivian private sector institutions (INPEX, DICOMEX, the "Cámara de Exportadores", CEPB, and the BCB) have the financial capacity and human resources capability to effectively utilize and maintain the proposed Export Promotion Project.



H. Robert Kramer

Acting Mission Director

USAID/Bolivia

Date: November 15, 1988

0805L

12/11

AGENCY FOR INTERNATIONAL DEVELOPMENT  
WASHINGTON DC 20523

LAC-IEE-88-04

ENVIRONMENTAL THRESHOLD DECISION

Project Location : Bolivia  
Project Title : Export Promotion Project  
Project Number : 511-0585  
Funding : \$11.5 million  
Life of Project : Four years FY 88 - FY 92  
IEE Prepared by : Angel M. Diaz  
USAID/La Paz  
Recommended Threshold Decision : Categorical Exclusion  
Bureau Threshold Decision : Concur with Recommendation  
Comments : None  
Copy to : G. Reginald van Raalte, Director  
USAID/La Paz  
Copy to : Angel M. Diaz, Chief, PS,  
USAID/La Paz  
Copy to : Howard Clark, REMS/SA  
Copy to : Robert Jordan, LAC/DR  
Copy to : IEE File

James S. Hester Date JAN 28 1988

James S. Hester  
Chief Environmental Officer  
Bureau for Latin America  
and the Caribbean

1/28

ENVIRONMENTAL THRESHOLD DECISION

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Life of Project: Four Years--FY 88-FY 92  
IEE Prepared by: Angel M. Diaz  
Recommended Threshold Decision: Categorical Exclusion  
Bureau Threshold Decision: Concur with Recommendation  
Comments: (To be provided by LAC/DR)

Copy to G. Reginald van Raalte,  
Director USAID/La Paz

Copy to Angel M. Diaz, Chief, PS

Copy to Howard Clark, REMS

Copy to IEE File

\_\_\_\_\_  
Environmental Officer      date \_\_\_\_\_  
Bureau for Latin America  
and the Caribbean

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ENVIRONMENTAL DETERMINATION

Project Location: Bolivia  
Project Title: Export Promotion Project  
Project Number: 511-0585

Project Description: The goal of the Project is to promote Bolivia's economic recovery and growth by assisting in the development of the export sector. The Project purpose is to support private/public sector efforts to expand and diversify Bolivia's exports of non-traditional products.

The Project will finance an integrated package of technical, training, and financial assistance to help in addressing the key constraints which impede private and public sector efforts to expand and diversify Bolivia's exports. Specific assistance will be provided in the areas of institutional strengthening; product identification, design and development; market development; and pre and post embarkation credit.

Statement of Categorical Exclusion: It is the opinion of USAID/Bolivia that the Project does not require an Initial Environmental Examination, because its activities are within the class of actions described in Section 216.2, paragraph (c)(1)(i) and 216.2(c)(2)(i) of 22 CFR part 216 on "Categorical Exclusions", which read as follows:

"Section 216.2(C)(1)(i)"

"The action does not have an effect on the natural or physical environment", and

"Section 216.2(C)(2)(i)"

"Education, technical assistance, or training programs except to the extent such programs include activities directly affecting the environment (such as construction of facilities, etc.)."

Concurrence of Mission Director

I have reviewed the above statement and concur in the determination that the Export Promotion Project does not require an Initial Environmental Examination.



G. Reginald van Raalte  
Mission Director

Date: 17 Nov 87