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1986 ANNUAL REPORT  
PRIVATE SECTOR REVOLVING FUND

BUREAU FOR PRIVATE ENTERPRISE  
AGENCY FOR INTERNATIONAL DEVELOPMENT  
DECEMBER 1986

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In 1981, the Agency for International Development (A.I.D.) initiated a program to encourage the increased use of private enterprise to stimulate economic growth and meet basic human needs in the developing world. The Bureau for Private Enterprise was established to design and implement innovative private enterprise projects which would not only provide their own direct benefits but would also serve as prototypes for projects to be initiated by the rest of the Agency. The Private Sector Revolving Fund, established by the Congress in 1983, has proven to be a successful vehicle for accomplishing this goal.

Building upon its early success with loans to the Kenya Commercial Bank and Siam Commercial Bank, many of the Revolving Fund loans have realized great benefit. For example, the Revolving Fund loan to the Far East Bank and Trust Company in the Philippines has made funds available to private small- and medium-sized businesses, some of which are in the health sector. The loan to Bank Niaga in Indonesia has enabled small Indonesian private enterprises to provide much-needed health and sanitation services. Small farms and manufacturing firms in Thailand have been able to use program funds to expand facilities and, in some cases, for the "start-up" of new businesses. Revolving Fund loans in the Dominican Republic and Ecuador have provided resources to the agribusiness sector.

The Private Sector Revolving Fund continued to support economic growth and development, while meeting the basic human needs of less developed countries, in fiscal year 1986. Other innovative projects pursued in 1986 include a loan to the Serum Institute of India which is designed to expand facilities for the manufacture of bacterial vaccines and

to establish a new facility for the manufacture of viral A measles vaccine; and a loan to three Philippine banks to provide credit to small-and medium-sized agricultural enterprises where there is currently a serious shortage of credit.

The Private Sector Revolving Fund was authorized by Congress with specific guidelines:

- projects must have a demonstration effect (i.e., can be replicated by A.I.D. field missions, financial institutions and others);
- projects must be innovative and demonstrate financial viability;
- they must maximize development impact appropriate to the host country, particularly in employment and use of technology; and
- they must be directed primarily to provide support and services not otherwise available to small business enterprises.

The overriding intent of A.I.D.'s private enterprise policy is to promote the establishment of an environment conducive to private sector development in less developed countries. The Private Sector Revolving Fund is the major means of accomplishing this objective by providing a vehicle that makes it possible to demonstrate the efficiency and effectiveness of the private sector.

THE PRIVATE SECTOR REVOLVING FUND

The requirement for the annual report, contained herein, is stated in Section 108(b) of the Foreign Assistance Act of 1961, as amended:

"Not later than December 31 of each year, the President shall submit a comprehensive report which details all projects funded under this Section during the previous fiscal year, all reflows to the revolving fund account, a status report on all projects currently contained in the fund's portfolio. Such reports shall include, but not be limited to, information regarding numbers and kinds of beneficiaries reached, amounts and kinds of benefits provided by the funded projects to targeted populations, and a justification for projects within the context of the goals and objectives of the United States development assistance program."

The information contained in this report complies with this statute and provides an overall summary of the activity of the Private Sector Revolving Fund during fiscal year 1986.

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PROGRAM DEVELOPMENT

The Private Sector Revolving Fund was established by the International Security and Development Authorizations Act of 1983 (Section 101(b)(2) of the Further Continuing Appropriations, 1984, Public Law 98-151), signed on November 14, 1983, and incorporated as Section 108 of the Foreign Assistance Act of 1961, as amended.

Section 108 declares that private enterprise development "is a vital factor in the stable growth of developing countries" and further that it is in the best interests of the United States "to assist the development of the private sectors in developing countries and to engage the United States private sector in that process." To promote such development, the President was authorized to establish a "Revolving Fund Account" in the Treasury.

An underlying purpose of the fund was to provide a flexible, business-like and self-sustaining mechanism for channeling capital to commercially viable projects with strong development payoffs. Following initial capitalization, the fund's reflows -- repayments from borrowers, return on investments and other income -- will make it self-sustaining, which will eliminate the need for additional transfer authority. Once the fund reaches assets of \$100 million, the maximum statutory size, earnings above that amount would be returned to the Treasury.

The statute set forth certain requirements for private sector revolving fund projects. Specifically the projects must:

- be consistent with U.S. development assistance program

- and host country priorities;
- serve as models for replication in other countries;
- be innovative and financially viable;
- carry development impact, especially in employment and appropriate technology, tailored to the country involved;
- be directed primarily to small businesses and provide services not otherwise available;
- provide not more than \$3 million in A.I.D. funds per project and finance not more than 50 percent of the total cost; a substantial amount of the funding must be provided from private sources within the project country;
- commit not more than 20 percent of the fund's assets to any one country;
- provide loans primarily to intermediate institutions serving the private sector; and
- charge interest rates at or near those otherwise available to the borrower.

In keeping with the intent and spirit of these statutory requirements, A.I.D. has established the following guidelines for the Private Sector Revolving Fund:

- o direct loans would have exceptionally strong development support which means the projects must accomplish at least some of the following:
  - create jobs, earn or save foreign exchange; transfer technology; upgrade management or labor skills; support agri-business, services

to farmers, health outreach programs, or other A.I.D. priorities; involve U.S. firms and technologies; attract outside financing, e.g., through co-financing with private banks; or help improve the local climate for business activity.

- o loans generally will range from \$1 million to \$2.5 million;
- o interest will be above or near the rate of Treasury obligations with corresponding maturities.

### STRATEGY

It is the purpose of the Private Sector Revolving Fund to provide assistance to the indigenous private sector and to stress management improvement and technology transfer through advisory services and training. In reviewing specific projects, special attention is directed toward: 1) compatibility with the local cultural, economic, environmental, political and social context in which they are embedded and in which they interact; 2) ability to use locally available labor skills, spare parts and organizational capacity; 3) replication of the anticipated results; and 4) economic efficiency.

Inherent in the philosophy applied in the execution of the Private Sector Revolving Fund are certain basic premises:

- Resources should be channeled through the private sector.
- Projects are sought which will have an impact beyond the initial business activity itself (example: development of a new, easily replicable technology, introduction and marketing of new services, etc.).

- Available resources are channeled only to development activities or financial intermediaries which are consistent with A.I.D.'s country development strategy.
- Projects are sought which promote A.I.D.'s mandate to meet basic human needs with a primary focus on the generation of purchasing power so the LDC poor majority can, through their own labors, afford to buy food, shelter, medical care and other essential needs. This effort focuses especially on job creation by small and medium-sized, labor-intensive private enterprises which generate employment at lower investment costs per job than larger businesses.

### LOAN STRUCTURE

Two general types of loans are used within the Revolving Fund: loans made to LDC private intermediate financial institutions (IFIs) and loans made directly to private LDC businesses or to joint ventures between LDC and U.S. business.

The intermediate financial institution mode normally takes one of two forms. The first is a revolving fund loan made directly to the IFI which, in turn, matches the A.I.D. loan in local currency, forming a pool of funds for subsequent lending to local private enterprises. The second form of a revolving fund loan serves as collateral to guaranty a portion of the risk of subloans made by the IFI with its own funds. In both cases the IFI provides all administrative support including subloan application review and approval, implementation, and monitoring.

At the end of fiscal year 1986, IFI loans comprise 20 of 23 loans finalized or 87 percent of the current portfolio number

of projects and 88 percent in terms of loan principal.

A less frequently used loan structure for the Revolving Fund portfolio is the direct loan to a specific private sector company. Only three direct loans have been obligated thus far, comprising 13 percent of the current portfolio by number of projects and 12 percent in dollar terms.

The direct loans are made to projects ranging in size of total capitalization from \$1.1 million to \$10 million. With direct loans, the Revolving Fund carries full credit risk but not the foreign exchange risk since all Revolving Fund loans must be repaid in U.S. dollars.

INVESTMENT PROGRAM

The investment program targets the small and medium-sized business sector because this sector has a higher employment-generating capability. This permits the Revolving Fund to be centered on that part of an economy which produces jobs at a lower cost. The combination of a smaller-scale business focus and investments which reflect market terms for credit results in efficient and self-sustaining job generation. The small business portfolio produces permanent jobs in the private sector at about \$5,000 per job. The total number of permanent jobs generated directly and indirectly from the investment program may reach 20,000. Most direct loans in the Revolving Fund portfolio emphasize the agri-business sector, including projects which link the small farmer to nucleus estate enterprises. The slaughter house and meat processing project in Thailand, which will create substantial new markets for livestock farmers, is an example.

The focus on the agri-business sector and farm production sector reflect the emphasis on market-oriented development in rural areas. More than 50 percent of the Revolving Fund portfolio targets agri-business.

Substantial leveraging of A.I.D. funds in all loans has been achieved. Leverage through IFIs is at least one dollar of private funds for each A.I.D. dollar and 2:1 at the subborrower level. Leverage achieved through direct loans is 3:1. As a result, A.I.D. resources channeled through the loan program attract at least an equivalent amount, and sometimes two to three times the amount, in private sector resources.

Nearly 50 percent of the loans in the portfolio involve

co-financing. The principal benefits to co-financing are that it brings to bear scarce private sector foreign exchange on Revolving Fund projects and it focuses the attention of typically sophisticated offshore institutions on projects of developmental interest, thereby mobilizing institutional technology as well as capital. Co-financing is a good vehicle to get other investors interested in LDC financing and accustomed to the markets and business environment in which the Revolving Fund operates.

Nearly 40 percent of the loan portfolio involves significant technology transfer through U.S. exports or risk participation. The Revolving Fund is a "window" on U.S. technology. Loans reflect an active role in transferring U.S. technology to achieve development goals. Examples are:

- Export of U.S. technology: 44 percent of all loans involve export of U.S. technology in areas such as health and agri-business.
- U.S. banking services: 31 percent of the loans involve U.S. financial services provided through links between U.S. banks and indigenous borrowers.
- U.S. risk participation: 26 percent of the loans involve U.S. foreign direct investment.

Overall, about 70 percent of the loan portfolio has some feature of U.S. participation, ranging from provision of capital to technology transfer to financial services.

The Revolving Fund is dedicated to strengthening the private business sectors of selected A.I.D. countries -- assisting countries in order to help create stronger trading partners

(and hence greater market opportunities) for U.S. exporters. Given the modest resources available, the Revolving Fund serves as an R&D shop for A.I.D. which will have a long-term benefit in improving and expanding upon private sector development within the LDCs by virtue of the fact that Revolving Fund projects will be replicated by USAID missions which hold more substantial resources.

REGION BALANCE DATA

At the end of fiscal year 1986, the investment program has made 34 loans, for a total of \$60,650,355 of which \$44,900,000 is financed from the Private Sector Revolving Fund. Of the 23 Revolving Fund loans, 20 totalling \$39,300,000 are to intermediate financial institutions. Three loans totalling \$5,600,000 were made directly to developing country private enterprises.

As of September 30, 1986, distribution of the Revolving Fund portfolio by region and country follows:

ASIA/NEAR EAST	\$28,600,000	64%
LATIN AMERICA/CARIBBEAN	11,850,000	26%
AFRICA	3,250,000	7%
WORLDWIDE <sup>1</sup>	<u>1,200,000</u>	<u>3%</u>
	\$44,900,000	100%

REGIONAL SUMMARIES

<u>Region/Country</u>	<u>Project Amount</u>	<u>Portfolio Percentage</u>
<u>Asia/Near East</u>		
Philippines	\$ 8.9MM	20%
Indonesia	6.1MM	14
Thailand	6.1MM	14
Morocco	4.5MM	10
India	3.0MM	6
	<u>\$28.6MM</u>	<u>64%</u>
<u>Latin America/ Caribbean</u>		
Ecuador	\$ 4.3MM	10%
Regional	3.45MM	8
Bolivia	2.0MM	4
Dominican Republic	2.0MM	4
Antigua	0.1MM	0
	<u>\$11.85MM</u>	<u>26%</u>
<u>Africa (Regional)<sup>2</sup></u>		
Edesa	\$ 2.0MM	4%
Agri-business	1.25MM	3
	<u>\$ 3.25MM</u>	<u>7%</u>
<u>Worldwide</u>	\$ 1.2MM	3%
	<u>\$44.9MM</u>	<u>100%</u>

1) Includes Multifoods Revolving Credit Facility project, worldwide, with initial emphasis in the Latin America/Caribbean region.

2) Includes Agri-business Investment Corporation (total \$2.5MM), estimated as split 50% to Africa and 50% to Latin America/Caribbean.

MISSION INTEGRATION

The institutional role of the investment program is to create a portfolio of diverse investment and financial instruments with market-oriented terms and conditions which can be used to achieve A.I.D.'s developmental objectives. The emphasis is on private sector strategies which can be replicated by USAID missions. The investment program's strategy to carry out this role evolved in the following three phases.

Phase I: Pre-Revolving Fund.

The investment program began in fiscal year 1982 with loans to financial institutions in Thailand, Kenya, and Peru. The objectives during this start-up period included broad geographic distribution of projects and reliance on standard A.I.D. loan instruments - negotiated, however, at market-oriented terms and conditions. Ten loans were issued during this period, the majority of the loans involved intermediate financial institutions. The remainder provided direct financing to projects which contained co-financing features. Successes during this period included loans to Siam Commercial Bank and Kenya Commercial Bank which induced these institutions to expand their credit activities into rural, small business markets of interest to A.I.D. These loans, besides being good credits and achieving their own development objectives, resulted in follow-on projects modeled by the local A.I.D. mission.

Phase II: The Revolving Fund.

The establishment of the Revolving Fund in fiscal year 1983

provided an opportunity to build on the experience gained during Phase I as well as to formulate a specific strategy for maximizing the institution-building role for the Bureau for Private Enterprise. To achieve this, the strategy has had three principal features: 1) to focus on a limited number of investment areas in order to develop depth of understanding and better prospects for effective initiatives; 2) to involve the A.I.D. mission early, at the design phase, in order to optimize the institution-building role of the Bureau; and 3) to initiate programs consisting of two or more specific investments in order to have multiple cases on which to draw conclusions and also to lower the costs of developing investments. Examples are:

o Satellite Farmers/Nucleus Estate Projects.

These are projects in which loans are made to agribusiness corporations (the "nucleus estate") which procure substantial raw materials from neighboring satellite farming operations which are typically small and numerous. Advantages to the satellite farmers include expanded markets, technical assistance and access to credit provided by successful nucleus estate operations. The loan made to the Thai Meat Processing Project reflects this linkage between the small farmer and the nucleus processing and sales center.

o Loan Guarantees to induce Higher-Risk Lending.

Building on the Productive Credit Guarantee Program (PCGP), a new loan guarantee instrument was developed which enables the Bureau to work directly and effectively

with private financial institutions. The loan guarantee approach is flexible and has been used to induce a variety of banks and non-bank financial institutions to experiment with lending to higher-risk markets. It has been used to direct commercially-priced and administered credit to small and medium-sized rural businesses. It has also been used to encourage private sources of foreign exchange to match the Revolving Fund's contribution.

o Export of U.S. Biotechnology.

Reflecting the Bureau's commitment to technology transfer, the investment process screens proposals for projects which offer opportunities for export of U.S. technology, particularly biotechnology applications, in the agro-processing and health sectors. The Thai Meat Processing loan uses food processing technology licensed from Swift and Company of the United States. The fiscal year 1986 loan to the Serum Institute of India will likely use viral vaccine technology from a U.S. pharmaceutical manufacturer. In early FY 1987, it is anticipated that a loan will be granted to an investment company which will support sound ventures with U.S. technology proprietors to commercialize, simultaneously, a variety of U.S. agro-processing technologies.

o Capital Market Development.

Building on A.I.D.'s work in public sector lending, particular attention has been given to the mobilization of funds from offshore and burgeoning indigenous capital markets. Projects begun in fiscal

year 1986 which should conclude in FY 1987 will introduce local borrowers to the U.S. institutional investor market; establish professionally managed equity funds for venture capital-type investments in biotechnologies; and mobilize medium-term local deposits.

The Bureau for Private Enterprise is firmly committed to gaining mission collaboration in its initiatives. Accordingly, the record of mission involvement is good and improving. Specific examples of success are as follows:

- Serum Institute of India.

In a joint venture from the start, USAID/New Delhi and the Investment Office, Bureau for Private Enterprise, collaborated in providing support to the client's business plan preparation and structuring of the loan facility. In this project, senior mission staff have worked with the Investment Office.

- Venture Capital Thailand.

During fiscal year 1985, the Investment Office began formulating a business concept for a venture capital company in Thailand. Discussions were held with the mission resulting in a fusion of respective interests and the undertaking of a collaborative design effort. Shortly it is expected this effort will come to fruition in a venture capital company built with support of the local banking community and dedicated to the financing of commercialization of U.S. biotechnology. The design of technology-driven venture

capital in Thailand is being used to guide similar efforts in a number of other Asian countries. This model should also be suitable for collaborative efforts with A.I.D. missions in Africa and Latin America.

- Loan Guarantee Facilities.

Ecuador, the Philippines, and Morocco are examples of areas where the Investment Office has undertaken design of loan guarantee facilities addressing particular capital or credit market areas. The result has been collaborative design of a guarantee facility to mobilize medium-term deposits in Ecuador; move conservative metropolitan banks to take rural sector risk in the Philippines; and reestablish trade credit lines in Morocco. A number of missions, including those in the Philippines and Guatemala, hope to use the design in follow-on projects with the private financial sector.

Phase III. Institutionalizing the Revolving Fund.

The third phase features the cementing of two A.I.D. roles for the Revolving Fund. The first role is the dissemination of Revolving Fund techniques to the field; the second is maintenance of the Revolving Fund as a developer of innovative financing strategies suitable for use by A.I.D. The Revolving Fund has succeeded in marshaling private sector resources and expertise to achieve A.I.D. development objectives and the U.S. private sector has had a role as investor or as supplier of technology in a significant number of loans.

The Private Sector Revolving Fund will continue to test and refine mechanisms to provide new ideas for adoption by A.I.D.

missions and the LDC private sector. Program efforts will focus on ideas that result in a leveraged approach that will enable the Revolving Fund to do more with the available limited resources.

Sound financial markets, a key to the development of energetic economies, will be an area of primary concern as the Bureau for Private Enterprise continues to provide guidance to developing countries on ways to remove impediments that adversely affect their growth and frustrate national goals. Policy and regulatory environment and their impact on business development and employment generation will increasingly become a key focus.

The Private Sector Revolving Fund will increasingly emphasize development of new initiatives and ideas, and evaluate and deliver "lessons learned" to field missions for their follow-up and replication.

Special emphasis will be placed upon innovation of project development and developing projects in countries that have yet to be included in the Revolving Fund portfolio. The development of new country analysis, new product/service orientation and new financial structures and instruments will be the driving theme for the expansion and implementation of Revolving Fund strategy and objectives with USAID mission support.

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A YEAR OF PROGRESS

The Private Sector Revolving Fund, under the management of the Bureau for Private Enterprise, has been responsive to its mandate: to collaborate with the private sector to achieve development objectives. The results demonstrate that investments which are market-oriented and disciplined by for-profit decision making can drive business development, resulting in job creation, foreign exchange generation and technology transfer.

The Revolving Fund reflows realized in fiscal year 1986 and projects approved during this year are set forth in this section.

REVOLVING FUND REFLAWS

The reflows of principal, interest and fees on Revolving Fund loans are invested in U.S. Government securities. In FY 1986, approximately \$418,252.07 in reflows was invested. Due to grace periods on principal repayments which vary in accordance with specific terms negotiated for each loan, reflows of sufficient quantity to finance new loan commitments are not anticipated until FY 1989.

<u>Source</u>	<u>FY 1986 Reflows</u>	<u>FY 1985 Reflows</u>
Principal	\$ 27,397.00	\$ -0-
Interest	334,760.75	56,002.97
Fees	<u>108,918.59</u>	<u>32,800.00</u>
	\$471,076.34	\$88,802.97

Continuing with actions taken in FY 1985, fiscal year 1986 loans have been structured with relatively shorter grace periods. Grace period in principal repayments average 2.29 years for FY 1986 loans.

Latin America

Union of Bolivian Banks

Project Number: 940-0002.60

Loan Number: 511-S-072

Authorization Date: September 29, 1986

Type: Intermediate Financial Institution

In spite of the fact that private sector financial and development capabilities have begun to improve in Bolivia, the private banking sector is involved exclusively in short-term commercial and money market operations. Most loans are made at terms of 90 days or less. In addition, many capital market instruments do not exist in Bolivia. Consequently, Bolivian businessmen and entrepreneurs have no opportunity to raise capital in public markets for private enterprise. This project is intended to establish a credit program that will benefit small Bolivian enterprises, in both urban and rural regions, which currently do not have access to credit through the formal financial system.

A.I.D. made a loan to a bank located in the United States. The U.S. bank will then issue standby letters of credit in favor of the local lending banks to guarantee up to 50% of qualifying subloans to small enterprises in urban and rural Bolivia. The subloans will be made at prevailing market interest rates.

Development Impact

In addition to strengthening the overall economic situation in Bolivia by assisting the private sector, this project will benefit the participating private commercial banks and the targeted

potential borrowers. The target group is small enterprises which increases the potential for spawning jobs, a key focus for most A.I.D. programs.

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Latin America

Financiera Ibero-Americana S.A.

Project Number: 940-0002.61

Loan Number: 518-S-088

Authorization Date: September 19, 1986

Type: Intermediate Financial Institution

There is very little term credit available in Ecuador to financial institutions and consequently to their credit customers. Although Ecuador has begun to recapture its creditworthiness within the international banking community and to restore access to hard currency credit, the small and medium-sized agro-industrial businesses are not partaking in this slow restoration, due to the inability of the institutional finance community to raise funds in excess of one year maturity. The objective of this facility is to mobilize existing local savings for longer term use (i.e. greater than one year) in the credit operations by the private financial sector.

The proceeds of the A.I.D. loan will be deposited in the borrower's account in a United States bank. The U.S. bank will then issue standby letters of credit in favor of qualified debt instruments issued by the borrower. This will enable the financial institution to raise funds which will then be lent to small and medium-sized private agro-industrial enterprises.

Development Impact

Primary beneficiaries of this project are local farmers and other entrepreneurs in farming-related businesses who would not otherwise have access to credit. Development results include the creation of new jobs since the targeted businesses are a prime generation of employment.

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Africa

EDESA

Project Number: 940-0002.67

Loan Number: 698-S-020

Authorization Date: September 29, 1986

Type: Intermediate Financial Institution

A multifaceted crisis has been building in Africa for more than a decade. It is characterized by recurring food deficits, severe external debt problems and economic stagnation. In addressing this complex crisis, a central challenge is to activate private sector growth in Africa. This project will assist in generating new financial resources for the extension of credit to small and medium-sized private enterprises in selected African countries either directly or through indigenous private financial institutions.

The A.I.D. loan will be to a United States bank which will issue standby letters of credit to EDESA, the lending bank. The A.I.D. loan will guarantee up to 50% of the commercial risk of the subloans made by EDESA. The subloans will be made to small and medium-sized private enterprises located in East, West and Southern Africa and adjacent islands. The project will exclude subloans in Angola, Tanzania, Zimbabwe,

Ethiopia, the Republic of South Africa and such other countries as A.I.D. may indicate.

Development Impact

Sustained growth in Africa will require economic development to provide jobs and incomes for a rapidly growing labor force. This project will contribute to economic development by providing direct support to the private sector and thereby foster employment.

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India

Serum Institute of India Pvt, Limited

Project Number: 940-0002.54

Loan Number: 386-S-242

Authorization Date: September 16, 1986

Type: Direct Loan

Although children under the age of five comprise only 14% of the Indian population, almost half of all Indian deaths are in this age group. This project will enhance Serum Institute's ability to develop, produce and distribute vaccines which will decrease this high mortality rate. The project will consist of the expansion of existing facilities for the manufacture of bacterial vaccines and blood products and the establishment of new facilities for the manufacture of viral A measles vaccine.

Development Impact

This project will serve to stimulate private sector development and thus reduce unemployment. It will also have a dramatic impact on reducing the high mortality rates in India.

Philippines

Metropolitan Bank and Trust

Project Number: 940-0002-57

Loan Number: 492-S-093

Authorization Date: September 3, 1986

Philippine Commercial International Bank

Project Number: 940-0002.59

Loan Number: 492-S-092

Authorization Date: September 3, 1986

Bank of the Philippine Islands

Project Number: 940-0002.58

Loan Number: 492-S-094

Authorization Date: September 3, 1986

Type: Intermediate Financial Institutions

In the Philippines serious problems continue to obstruct the flow of needed credit to the Philippine agricultural sector, hampering agricultural production and general rural development. There is a severe lack of credit available to the agricultural sector. These projects will contribute to rural development by making credit available to the rural sector through intermediate financial institutions.

The three A.I.D. loans will be made to banks in the United States. The U.S. banks will then issue standby letters of credit in favor of the local lending banks. The local banks will make subloans to small and medium-sized private enterprises outside metropolitan Manila.

Development Impact

These projects will have a positive impact on five areas:

basic human needs through improving the economic environment in the agricultural sector; increased agricultural promotion and rural development by providing credit to this sector; small and medium-sized enterprise development; development of institutional financing; and overall private sector development.

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International Multifoods

Between October 18, 1985 and February 18, 1986, A.I.D. disbursed a total of \$1,000,000 in loan funds to International Multifoods Corporation. The funds were designated for use in a sub-project run by Agro-Dominicana Produce, S.A., a Dominican corporation. The revenues generated by the sub-project were only sufficient to repay a very small part of the loan principal. The Bureau for Private Enterprise is negotiating a recovery from both Multifoods Corporation and Agro-Dominicana Produce, S.A.

**LOAN PORTFOLIO - PRIVATE SECTOR REVOLVING FUND**

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Name/Country/ Project No.	Funding (MM)		Rate	Terms		Disbursement		Total Reflows	Project Description
	Loan	Grant		Grace	Term	Level	%		
BANCO DE DESARROLLO FINADE, S.A. (Dominican Republic) 940-0002.25 (1984)	2.0	.05	7.5%	4 yrs	7 yrs	1.0 M	50	\$44,397	Collateral Account Guarantee mechanism for small and medium- sized manufactures
HEALTHLINK (Thailand & Indonesia) 940-0002.31(T) 940-0002.32(I) (1984)	2.5	-	8.0%	5 yrs	9 yrs	135,000	06	-0-	Funds provide a pool for local health project investments, thereby providing access by indigenous poor to new or less expensive health products.
THAILAND LIVE- STOCK MEAT PROCESSING (Thailand) 940-0002.36 (1984)	2.5	.07	11.0%	2 yrs	10 yrs	-0-	00	6,250	Establish a livestock meat processing facility with planned extension services to farmers. Will involve an estimated 2,000 local suppliers.
FINANCIERA DE GUAYAQUIL (Ecuador) 940-0002.36 (1984)	1.4	-	10.2%	2 yrs	3 yrs	1.4 M	100	7,000	Funds provide a loan pool to small and medium- sized agro-industrial businesses including livestock and fisheries.

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Name/Country/ Project No.	Funding (MM)		Rate	Terms		Disbursement		Total Reflows	Project Description
	Loan	Grant		Grace	Term	Level	%		
FINANCIERA IBEROAMERICANA (Ecuador) 940-0002.36 (1984)	1.4	-	10.2%	2 yrs	3 yrs	1.4MM	100	\$58,714	Funds provide a loan pool to small and medium-sized agro-industrial businesses including livestock and fisheries.
CARIBBEAN BASIN CORPORATION (Caribbean-wide) 940-0002.41 (1984)	1.2	-	12.7%	5 yrs	5 yrs	261,250	22	-0-	Venture capital fund to finance new small businesses in Caribbean region.
WAFABANK (Morocco) 940-0002.34 (1984)	2.5	.05	8.0%	1.5 yrs	5 yrs	2.0MM	80%	143,483	Small and medium-sized enterprises short-term credit facility.
ACCION Micro-Lending Pool (Latin America/Caribbean) 940-0002.44 (1985)	1.0	.10	7.7%	3 yrs	5 yrs	-0- (I.) 23,748 (G)	0%	-0-	Collateral account mechanism providing credit to entrepreneurs at lowest socio-economic levels.

LOAN PORTFOLIO - PRIVATE SECTOR REVOLVING FUND

Name/Country/ Project No.	Funding (MM)		Rate	Terms		Disbursement		Total Reflows	Project Description
	Loan	Grant		Grace	Term	Level	%		
AGRI-BUSINESS INVESTMENT CORP. (Latin America/ Africa) (1985)	2.5	-	12.0%	1 yr	5 yrs	146,000	6	23,925	Loan to venture capital fund for small agri-business startups.
BANK NIAGA (Indonesia) 940-0002.46 (1985)	2.0	.05	9.5%	3 yrs	7 yrs	500,000	25	8,863	Collateral account mechanism providing credit to small and medium-sized light industrial manu- facturing firms.
OVERSEAS EXPRESS BANK (Indonesia) 940-0002.47 (1985)	2.85	.05	12.7%	5 yrs	5 yrs	500,000	18	24,006	(Same as BANK NIAGA)
THAI DANU BANK (Thailand) 940-0002.48 (1985)	2.35	-	Note 1	2 yrs	5 yrs	1.0M	43	31,231	Loans for small rural agri-business. Grant funds for technical assist- ance and credit training program.

LOAN PORTFOLIO - PRIVATE SECTOR REVOLVING FUND

Name/Country/ Project No.	Funding (MM)		Rate	Terms		Disbursement		Total Reflows	Project Description
	Loan	Grant		Grace	Term	Level	%		
FAR EAST BANK & TRUST (Philippines) 940-0002.49 (1985)	2.0	-	Note 1	2 yrs	5 yrs	2.0MM	100	27,605	Collateral account mechanism providing credit to small and medium-sized light industrial manufacturing firms.
SOCIETE MARO- CAINE DE DEPOT ET CREDIT (Morocco) 940-0002.50 (1985)	2.0	-	Vari- able	3 yrs	3 yrs	-0-	0	-0-	Collateral account providing credit to small and medium- sized exporting companies.
MULTIFOODS (Worldwide) 940-0002.52 (1985)	1.2	-	10.2%	1 yr	1 yr	1.0MM	83	86,802	
ANTIGUA SHRIMPERY (Antigua) 940-0002.14 (1985)	.1	-	11.0%	1 yr	5 yrs	-0-	0	-0-	Co-financing to local private bank for loan to shrimp farm.
BANK OF THE PHILIPPINE ISLANDS (Philippines) 940-0002.58 (1986)	2.4	-	Note 2	2 yrs	5.5 yrs	-0-	0	-0-	See Page 27

LOAN PORTFOLIO - PRIVATE SECTOR REVOLVING FUND

Name/Country/ Project No.	Funding (MM)		Terms			Disbursement		Total Reflows	Project Description
	Loan	Grant	Rate	Grace	Term	Level	%		
METROBANK (Philippines) 940-0002.57 (1986)	2.1	-	Note 2	2yrs	5.5 yrs	-0-	0	-0-	See Page 27
PHILIPPINE COMMERCIAL INTERNATIONAL BANK (Philippines) 940-0002.59 (1986)	2.4	-	Note 3	2 yrs	5.5 yrs	-0-	0	-0-	See Page 27
FINANCIERA IBEROAMERICANA (Ecuador) 940-0002.60 (1986)	1.5	-	Vari- able	2 yrs	5 yrs	-0-	0	-0-	See Page 24
UNION OF BOLIVIAN BANKS (Bolivia) 940-0002.60 (1986)	2.0	-	Note 3	1.5yrs	5 yrs	-0-	0	-0-	See Page 23

LOAN PORTFOLIO - PRIVATE SECTOR REVOLVING FUND

Name/Country/ Project No.	Funding (MM)		Rate	Terms		Disbursement		Total Reflows	Project Description
	Loan	Grant		Grace	Term	Level	%		
EDESA (Sub-Sahara Africa) 940-0002.67 (1986)	2.0	-	Note 3	1.5 yrs	5 yrs	-0-	0	-0-	See Page 25
SERUM INSTITUTE (India) 940-0002.54 (1986)	3.0	-	7.45%	3 yrs	8 yrs	-0-	0	-0-	See Page 26

Notes:

- 1) U.S. Treasury Notes plus .1 %.
- 2) 90 Day T-Bill plus .6 %.
- 3) 90 Day T-Bill plus .375 %.