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PROJECT PAPER INDEX FOR THE P.L. 480 TITLE III

FOOD FOR DEVELOPMENT PROGRAM

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A&A	- Agribusiness and Artisanry
ABS	- Annual Budget Summary
ANAPO	- National Association of Oilseed Producers
BAB	- Bolivian Agricultural Bank
CAO	- Eastern Agricultural Chamber
CARE	- Cooperative for American Relief Everywhere
CDSS	- Country Development Strategy Statement
CIAT	- Tropecial Agriculture Research Center
CIDA	- Canadian International Development Agency
CIF	- Cost, Insurance and Freight
CIMA	- Interinstitutional Environmental Committee
COMIBOL	- Bolivian Mining Corporation
DA	- Development Assistance
DCCP	- Department of Coordination and Project Control
DDCs	- Departmental Development Corporations
EEC	- European Economic Community
FENACRE	- National Federation of Savings and Loan Cooperatives
FFD	- Food for Development
GDP	- Gross Domestic Product
GOB	- Government of Bolivia
IBRD	- International Bank for Reconstruction and Development
ICI	- Intermediate Credit Institution
IDB	- Inter-American Development Bank
IMF	- International Monetary Fund
JCRD	- Joint Commission for Rural Development

2. SUMMARY

The FY 1985 $75.0 million three-year Title III Program will serve as the centerpiece of the USAID/Bolivia program strategy and as one of its principal policy instruments. The Program's goals are to: (1) promote the adoption of appropriate macro-economic policies critical to the country's economic recovery in such areas as agricultural pricing, interest rates and commodity exports; (2) reinforce the Government of Bolivia's (GOB) economic recovery program by reducing foreign exchange requirements for wheat imports;
(3) continue to support development of the agricultural sector by emphasizing USAID/Bolivia's market oriented demand-pull approach through related investments in productive infrastructure; and (4) encourage private sector recovery and growth.

The new Title III Program will provide continuity and build upon the elements of conditionality of the FY 84 $20.0 million Title I project and the self-help objectives addressed in the first $75.0 million Title III project which was completed on May 30, 1984. The new project will continue to be used to promote GOB policies critical to the country's economic recovery, and will be coordinated with policies defined by the Policy Analysis Unit established by the USAID/Bolivia Policy Reform Project (511-0571). The call forward and release of Title III tranches will be contingent upon the GOB's adoption of identified actions required for economic stabilization and sustained growth.

The new Title III Program calls for the provision of approximately 474,000 metric tons (MT) of wheat (about 158,000 MT per year). These wheat imports will reduce political pressures on the GOB, resulting from bread and wheat staple shortages, and allow the Government to channel

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extremely scarce foreign exchange toward other important economic recovery needs. At the same time, the Title III Food for Development (FFD) Program will continue to finance priority development projects from the commodity sales generations. The new Agreement will build upon the success of projects in the recently completed Agreement which, according to a 1984 external evaluation and a draft GAO evaluation, were well managed and provided very positive benefits to the rural poor. The projects in the new Agreement will, however, have a distinctly different emphasis than projects in the first Agreement which gave priority to agricultural production activities and to public sector institutions as the principal program implementors. The new Title III Program will continue to support the agricultural sector; however, it will give much greater emphasis to the private sector and market-related activities.

As the centerpiece of USAID's development strategy, the new Title III Agreement will be USAID's principal policy instrument. The program will be used to promote the adoption of price, interest rate, export, monetary, fiscal and development policies which are critical to the country's economic recovery. In addition, the program will support policies which encourage key structural adjustments, improve marketing mechanisms, and promote private sector recovery and growth.

II. BACKGROUND

A. Economic Recovery

The installation of a democratically elected Congress and the inauguration of Hernán Siles Zuazo as the constitutionally elected president in 1982, after eighteen years of almost unbroken military rule, have greatly enhanced the possibilities of making significant socio-economic progress in Bolivia. The country, however, is experiencing what is perhaps the worst economic crisis in its history, a condition further complicated by the unprecedented 1983 "El Niño" natural disasters. This situation, in part, has resulted from the fact that economic development has virtually always suffered from the country's near chronic political instability, which has had a notably negative impact on the environment for investment and has resulted in minimal continuity of economic policies and programs.

Bolivia's economic crisis substantially worsened during 1983, with agricultural production declining by 25%, mining production declining to three fourths of what it was in 1977, unemployment escalating, GDP declining by 8% and prices increasing by 320%. The crisis has continued to deepen in 1984, with the budget deficit climbing to more than 18% of GDP, and the inflation rate for the first quarter annualizing at 1,000%. Compounding the critical economic situation were the 1983 natural disasters which cost the GOB more than $600 million in economic losses and unanticipated foreign exchange expenditures, and seriously affected Bolivia's production of food staples and decapitalized low income <u>altiplano</u> farmers. In this context, the USAID CDSS Update (February 1984) concluded that the consequences of the "El Niño" natural disasters, coupled with Bolivia's acute economic crisis, will require a long recovery period. In addition, it identified the need for the Siles government to immediately mount a coherent economic program to halt and reverse the deterioration of the economy and, in so doing, permit the continuation of a stable democratic form of government.

In an effort to stem the country's economic deterioration, the Siles Administration introduced a series of economic measures in November 1982, March and November 1983, and April and May 1984. The 1982 and 1983 measures, although designed to strengthen the economy through specific actions (e.g. devaluations, increases in basic consumer prices, interest rate increases), were generally insufficient and incomplete, as, in both instances, they acquiesced to political pressures and populist demands. In taking the 1984 measures, the GOB largely resisted these demands and began to take some of the difficult steps necessary to arrest economic decline. The April 12 package of economic reforms represented a major first step in a series of essential, politically difficult, complementary actions (e.g. sharp increases in interest rates, the development of a non-inflationary national budget, elimination of high subsidies on petroleum products) which must be taken to stabilize the economy. Other key elements of the package included: the sharp reduction or elimination of subsidies on a variety of basic consumer products, such as wheat, rice, cooking oil, sugar, the devaluation of the Bolivian peso from 500 to 2,000 to the dollar, the establishment of a mechanism to determine and regulate monetary, foreign exchange, credit, fiscal and financial policy, and a number of complementary actions including the establishment of wage bonuses to compensate for increased costs of basic foods and other commodities, and an increase in transportation fares and telecommunications rates. The follow-on May 17 package focused on interest rates, raising savings rates to approximately 125% and loan rates to 130-150% for all but on-farm and construction credits. Macro-economic analyses completed by the U.S. Mission and the IMF have indicated that these measures could result in a number of relatively positive benefits, if followed-up with a series of policy actions and administrative reforms which will deal effectively with existing fiscal, monetary, balance-of-payments, and debt problems.

The GOB's 1984 measures reflect its realization of the need to stabilize the economy and to start building the productive base necessary to achieve a positive growth rate. Such actions have been further supported by the announcement of planned follow-on measures which are basic to recovery and are preconditions to an agreement with the IMF. These include: the adoption of a system of mini-devaluations, the development of a "crawling peg" system to further reduce and eventually eliminate consumer good subsidies, the development of a plan to sharply reduce the fiscal deficit (including the elaboration of a tax reform program) and the preparation of an austere national budget. In recognition of the difficulty of defining more concretely the necessary follow-on measures to be adopted, the GOB formally requested international assistance at the May 1984 "UN Sponsored Meeting of Key Donors" held in Washington. In addition to requesting the U.S. Government and others to help in closing its short-term balance-of-payments gap, the GOB requested assistance in carrying out a comprehensive economic analysis which would provide specific recommendations in addressing its short and medium-term, balance-of-payments and debt problems. A USAID/Embassy "Macro-Economic Analysis of the Bolivian Economy" report was completed and presented to the GOB Economic Cabinet on June 21, 1984. The analysis and the specific recommendations were well received by the GOB and are summarized below.

B. Macroeconomic Analysis

1. Fiscal Position and Recommendations

The macroeconomic analysis points out that the fundamental problems of the Bolivian economy stem primarily from the deterioration of public sector finances. Between 1979 and mid-1984, the consolidated public sector deficit rose from an already excessive 8.4% of GDP to 18.6% primarily due to a fall in revenues. During the 1970's, taxes met about 75% of government expenditures; however, by mid-1984, the system had deteriorated to the point where taxes provided only 17% of central government finances. The loss of tax revenues has been aggravated by the GOB's unsound interventions in the economy (e.g. low fixed domestic prices for petroleum products have prevented the Bolivian State Petroleum Company-YPFB from contributing more to central government revenues). Lastly, central government expenditures have risen from 12.1% of GDP in 1979 to 19.7% in mid-1984 primarily as a result of a rise in unidentifiable "other" expenditures resulting from unsound policies and management practices (e.g. under valuation of external debt service payments made by the Central Bank on behalf of the central government and public enterprises, and an increase in interest payments to external creditors resulting from large and repeated external borrowings to finance the deficit).

The report's recommendations include: (1) the adoption of an improved accounting system for government expenditures, (2) the creation of a mechanism for formulating annual national budgets to permit the government to allocate funds in a coherent and planned manner, (3) the increase of domestic petroleum prices, which, when coupled with a revised royalties system, could potentially triple present YPFB revenues (7% of GDP) as well as discourage the domestic consumption of petroleum, thus increasing the exportable surplus, (4) the introduction of a "crawling peg" system for officially controlled prices of consumer goods to minimize distortions and disincentives to production, as well as reduce government expenditures on subsidies and improve the financial position of state manufacturers of consumer products, and (5) the adoption of new taxes designed to yield revenues, an effort requiring not only the modification of the existing tax system but also the strengthening of deficient tax administration procedures.

2. Monetary Situation and Recommendations

The report's findings indicate that, during the Siles Administration, the Central Bank has permitted virtually uncontrolled growth in the money supply, thus losing an opportunity to use monetary growth as a tool to stimulate production and loosen credit. The results of this policy have been hyperinflation and the consequent collapse of the Bolivian peso, leading, in part, to a rise of 1,040% in the general index of consumer prices between January 1983 and April 1984. As a result of continuous deficient monetary policies and legislation, financial markets have been seriously disrupted. Notwithstanding that the GOB has fixed interest rates at only a fraction of the rate of inflation, creative interpretation of the law has permitted banks to charge near positive rates on loans while, at the same time, paying only the legal interest rate to depositors. This has encouraged Bolivian investors to reduce bank deposits and convert liquid assets into U.S. dollars or non-perishable commodities. The resulting capital flight has depleted the resources available to the banking system. The result (in terms of constant Bolivian pesos) has been a 55% decline of bank liabilities

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(owner's equity and deposits) from October 1982 to mid-1984. Resources available for lending have been further reduced by the imposition of extremely high legal reserve requirements, which during 1983 averaged 43% of deposits. As a consequence, outstanding credit to the private sector has fallen by half in real terms from January 1983 to mid-1984.

To correct this situation, the report's recommendations include: (1) the introduction of inflation-indexed savings and lending instruments, and (2) the reduction of legal reserve rates. The inflation-indexed instruments would stimulate the mobilization of savings through the financial system and consequently increase the capital available for lending to the private sector. Furthermore, these instruments would improve the equity of the financial system by preventing the transfer of real resources from depositors (generally individuals of modest means) to borrowers (companies or wealthier individuals with access to credit) and bankers. Lastly, predictable positive interest rates on loans would encourage rational investment decisions by Bolivian firms. The second recommendation, the reduction of legal reserves rates, would increase the percentage of deposits which could be re-lent to private borrowers.

3. Balance of Payments Situation and Recommendations

A third area of concern identified by the report was the unfavorable balance-of-payments situation affected both by export and import problems. On the export side, weak international demand for primary materials resulted in a 7.5% decrease in the unit value of exports between 1980 and 1983, while at the same time the GOB's maintenance of a fixed exchange rate, despite very high inflation, contributed to a 10% decline in export volumes.

Much of the time, the official exchange rate was overvalued by between 200% to 300%, a policy which has seriously damaged the profitability of exporters (who have been forced to surrender foreign exchange proceeds at the official rate). As a result, total exports declined from $1,034.89 million in 1980 to $836.02 million in 1983 (a drop of 19.2%), and exports on non-traditional items (e.g. agricultural commodities and manufactured goods) fell from $140.0 million to $53.0 million during the same period. Imports also declined by 42% from 1979 to mid-1984 due to the progressive reduction of previously available international financing, increased debt service payments, and the overall contraction of economic activity. Even though exchange controls have shifted the composition of legal imports away from consumer goods toward raw materials and intermediate and capital goods (consumer goods comprised 20% of total imports in 1979 versus 10% in 1983), the current level of depleted stocks of raw materials and spare parts and the diminished utilization of industrial capacity indicate that import reductions are already impacting negatively on domestic output.

To address this problem area, the report recommends a substantial real devaluation of the Bolivian peso combined with frequent (monthly and preferably weekly or daily) mini-devaluations to permit the new rate to keep pace with inflation. This measure would initially increase the operating revenues of state owned enterprises (e.g. COMIBOL, YPFB), eventually restore the competitiveness of non-traditional export industries while reducing the demand for imports which compete with local products, and, lastly, serve as a significant step toward elimination of the administrative allocation of foreign exchange and the economic inefficiency and corruption which such a system fosters.

4. Debt Situation and Recommendations

In December 1983, Bolivia had $3.4 billion in public and publicly guaranteed external debt obligations and $350.0 million in private sector obligations. Of the public debt, $800.0 million was owed to private banks at commercial rates of interest, while the rest was owed to bilateral and multilateral creditors. The GOB's present policy of resorting to reschedulings, deferrals and arrearages has led to a situation in which debt service due in 1984 will exceed the amount generated by Bolivia's exports of goods and services.

Faced with this external debt problem, the GOB's Ministry of Finance has formulated a tentative repayment plan which devotes no more than $270 million to service the external debt during 1984. In essence, this idealistic and unpragmatic plan calls for a moratorium on servicing debt owed to the private foreign banks while continuing payments to official creditors and thus maintaining concessional aid flows. The macroeconomic report indicates that the GOB plan leaves much to be desired and recommends that the GOB reach an agreement with private banks to reschedule its outstanding debt on more realistic terms in order to facilitate the eventual reopening of traditional lines of commercial credit.

5. Other Problem Areas to be Addressed

The GOB faces a difficult task in implementing the unavoidable and politically difficult measures necessary for a strong recovery. To achieve recovery it must: (1) increase domestic investment, (2) restore the profitability of export industries, (3) increase the amount of domestic savings captured by the financial system, (4) streamline or divest a number of inefficient state enterprises over the medium term, (5) improve incentives to attract foreign investment, and, (6) enlarge the export capacity of the economy. The proposed supplementary $20.0 million P.L. 480 Title I Program and the $26.0 million Disaster Recovery Project Amendment No. 2 include economic elements that address the most critical short-term recommendations in the "Macro-Economic Analysis of the Bolivian Economy" report. The signing and the individual wheat tranches of the proposed three-year $75.0 million Title III project will also be used to address additional short and medium-term recommendations included in the report, as well as additional policy measures determined necessary to reverse the deterioration of the Bolivian economy.

C. Bolivia's Food Supply Situation

1. Crop Production Estimates for 1984

In an attempt to quantify food production estimates for 1984 and to determine the extent of agricultural recovery from the 1983 "El Niño" disasters, the Government of Bolivia (GOB), with USAID assistance, conducted the "1984 Agricultural Production Survey." This survey gives national production estimates for 32 principal food, forage and industrial crops, as well as an animal inventory for all types of commercially important livestock. Survey results showed that the 1984 harvest was substantially larger than that of last year; in spite of a likely shortfall in potato production, the national combined production of all carbohydrate staples will be approximately equal to demand. Some regional shortfalls will undoubtedly occur during the year, particularly in the Departments of Potosí and Oruro, but the need for significant above normal amounts of food aid or extraordinary food imports appears to be unlikely.

Based on the "Agricultural Production Survey" and subsequent analyses, it is estimated that there will be a net food crop deficit* for the following commodities:

CROPS	NET DEFICIT (MT)
Pototoes	200,000
Corn (Grain)	5,163
Corn (Fresh)	16,871
Wheat	292,720

* Net deficit is defined as the difference between a projection of historical domestic demand, with modifications based on changes in market conditions, and the 1984 estimated total production. It also takes into account deductions for seed withholdings and post harvest losses. With the exception of wheat, none of the deficit crops are customarily imported by Bolivia for consumption purposes.

In contrast, surpluses above normal demand requirements were achieved for the following crops:

CROPS	SURPLUS (MT)
Rice (unhulled)	88,677
Yuca	68,968
Barley	11,565
Quinoa	3,889

To put the sizeable net potato deficit into an overall food balance context, the following table presents data on the projected availability of basic food starches. This includes the total potato production plus the surpluses of rice and yuca, the latter two expressed in terms of MT and potato equivalent MTs.

QUANTITIES AND MONTHS OF MARKET SUPPLY FOR
BASIC CARBOHYDRATE SOURCE FOODS EXPRESSED IN POTATO EQUIVALENTS - 1984

CROPS	QUANTITIES (MT)	MONTHS OF MARKET SUPPLY 1/	POTATO EQUIVALENT QUANTITIES (MT)
Potatoes	752,000	9.6	752,000
Rice(unhulled)	88,677	1.9	150,751 2/
Yuca	68,968	1.3	103,452 3/
Total	909,645	12.8	1,006,203

1/ Average monthly demand for potatoes is estimated to be 78,000 MT.

2/ 1 MT of rice contains the same amount of carbohydrates as 1.7 MT of potatoes. Therefore, 88,677 MT of rice x 1.7 = 150,751 MT of potatoes

3/ 1 MT of yuca contains the same amount of carbohydrates as 1.5 MT of potatoes. Therefore, 68,968 MT of yuca x 1.5 = 103,452 MT of potatoes

As can be seen from this table, the shortfall in national potato production could be met by the national surpluses for rice and yuca. In spite of this near balance at the national level, it is expected that problems related to substitution and distribution of food may cause periodic, localized shortages in the highlands. These shortages are expected to result in price increases which will have an increasingly negative impact on lower-income urban food consumption as the year progresses.

Although the supplies of meat animals and poultry are somewhat more difficult to predict than those of food crops, it seems reasonable to assume that there will be an overall decline of about 10-15% in the availability of animal protein. This estimate is based on 1984 survey data which report a 16% decline in swine, an 18% decline in poultry, a 25% decline in sheep and a 32% decline in llamas and alpacas. In addition to these losses, there are unquantified reports of higher than normal cattle losses in the Beni Department due to extensive seasonal flooding. Consequently, below normal production of animal protein is anticipated this year and recovery is likely to lag behind consumption requirements for about two years.

In conclusion, it appears that 1984 basic carbohydrate food availability will be greatly improved over 1983. Nevertheless, a continuing shortfall of potatoes will affect consumers in traditional potato markets. Farmer retention of potatoes for seed and on-farm consumption will result in reduced supplies for urban consumers which will only be partially offset by the rice and yuca surpluses due to price and taste factors, and distribution inefficiencies. Animal protein supplies are estimated to be about 10-15% below normal. The anticipated wheat deficit of 292,720 MT represents approximately 80% of the country's wheat consumption requirements and must be met by importations requiring some $46 million in extremely scarce foreign exchange. The proposed Title III Program will reduce these requirements by about one-half.

2. Pricing and Marketing Constraints

The GOB has official prices for a market basket of important consumer items. These prices are set by the Ministry of Industry and Commerce and are based on production cost data and political considerations. Given the currently high levels of inflation, most official prices become outdated within a week or two of being announced. However, most of the official prices on fresh and non-processed commodities are not strictly enforced, and therefore do not have significant negative impacts on normal production levels. Price controls tend to be relatively more rigorously enforced for agro-industrial than for fresh commodities. Products such as milk, cooking oil, cheese, butter, chicken, beef, eggs, coffee and wheat flour are subject to fairly effective price controls which result in periodic shortages due to reduced production and speculative hoarding. For commodities whose prices are effectively controlled, official prices have a negative impact on production as well as on producers' incomes. This is due both to an outright decline in production as growers shift to non-controlled commodities, as well as to the use of less efficient production technologies because farmers are hesitant to invest in improved technolgies (e.g. fertilizers, pesticides) while price controls are in effect. Of all the controlled products, the prices on wheat flour and bread have been the most heavily regulated and subsidized. USAID has responded to this situation on several occasions, the most recent of which was the signing of the twelfth Amendment to the existing Title III Agreement, which was delayed four months, as USAID used the leverage of the $ 10.0 million tranche to persuade the GOB to reduce the subsidy on wheat flour and bread. This tactic resulted in a reduction of the subsidy on wheat flour and bread from approximately 60% to 10%, with the provision that the GOB would gradually reduce and eventually eliminate this subsidy altogether. The GOB also agreed to a clause which stipulated that it would automatically adjust the official prices of wheat and bread whenever there was a devaluation of the peso, so that the cost of wheat and wheat flour in Bolivia would continue to be approximately equal to the CIF La Paz value of the imported commodities.

Current major marketing constraints are a lack of storage facilities, price controls (which in some cases make storage uneconomical) and high transportation costs caused by long distances, rough topography, and poor transportation infrastructure. These problems interact with current marketing systems which consist of a large number of small, inefficient, low volume enterprises. The impact of these conditions and problems is that most of Bolivia's marketing systems have higher than necessary pricing margins which result in lower prices for farmers and higher prices for consumers. In general, it can be concluded that current marketing systems have a negative impact on potential production because they dampen farmers' interest in improved production techniques since high marketing margins absorb returns that might otherwise go to farmers.

3. Capital Constraints

Chief among the constraints affecting Bolivian agriculture is a critical lack of working capital. Bolivia's agricultural credit systems have deteriorated noticeably in the last year due, in part, to the effects of the country's economic problems on formal financial markets. The purchasing power of credit monies has been significantly reduced given the high rates of inflation and lagging interest rates. Also, the once promising Small Farmer Credit Program within the Bolivian Agricultural Bank (BAB) has fallen prey to the financial problems of the parent institution and no longer reaches farmers as effectively as it once did. With the deterioration of the BAB, small and medium-sized producers are forced to seek out new sources of Agricultural Credit. At the present time, all USAID credit funds are being disbursed through such credit intermediaries as Departmental Development Corporations, farmer cooperatives, private banks, and producers' associations.

4. GOB Agricultural Sector Institutional Response and Weaknesses

With a few exceptions, the GOB's agricultural sector institutions have experienced drastic budgetary cutbacks, become highly politicized and are practically paralyzed. The major sector agencies, such as the BAB, Ministry of Agriculture and various production, research and land settlement autonomous institutions, are currently providing very limited support to the agricultural sector.

5. Private Sector Alternatives

As a result of the inefficiencies which have characterized most of Bolivia's centralized public sector agricultural institutions, USAID has focused increasingly on private sector groups and institutions in an effort to expand production, increase productivity, and raise farmer incomes in the small and medium farm sector. The Mission has increasingly used private banks and other Intermediate Credit Institutions as avenues for distributing agricultural credit, marketing credit and agribusiness credit lines. Cooperatives have been an important vehicle for achieving USAID's development objectives, and will continue to be supported under the new Title III Program. Cooperatives are important disbursing agents for credit funds, as well as distributors of technical assistance, improved seeds, agricultural inputs and, in some cases, operate as marketing agents for small and medium sized farmers. Producers' associations offer another important private sector opportunity for the Mission to channel funds and technical assistance to small and medium sized farmers. In recent years, a number of producers' associations have been established, primarily in the Department of Santa Cruz, that have been very successful in providing their membership with credit, inputs, technical assistance and marketing assistance. USAID intends to provide Title III resources for existing associations and to help establish new associations in other areas of Bolivia. In addition, agroindustries are receiving greater support from the GOB and USAID as a means of creating and improving markets for agricultural products. It is also clear that agroindustries often can provide technical assistance and inputs to their growers, thus increasing productivity and incomes. The new FFD Program provides strong support to such agroindustries.

C. The Need for Wheat

1. Supply and Demand for Wheat

Historically, Bolivia has depended on imports of wheat grain and flour to meet its internal demand. Domestic wheat production has traditionally supplied only about 22% of total wheat needs and less than 5% of flour needs. While domestic wheat production has increased slightly over the last ten years, it has not been sufficient to keep pace with a growing population (estimated at 2.6% annually) and demand. The result is increased total wheat grain and grain equivalent imports. These have increased from 57,164 MT in 1976 to a projected 292,000 MT in 1984. Bolivia's current consumption needs are estimated at 338,400 MT per year. The country intends to maintain about a two-month rolling

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inventory stock but no other significant in-country reserves. The table below presents historical wheat production, importation and availability data.

Summary of Wheat Supply Availability and Demand [1]

(1) Year	(2) Beginning Stock (MT)	(3) Production (MT)	(4) Seed Use [2] (MT)	(5) Imports (MT)	(6) Losses[3] (MT)	(7) Internal Demand (MT)	(8) Ending Stock (MT)
1965	-	35,000	6,765	166,805	5,851	-	-
1966	-	41,000	4,083	164,859	6,053	-	-
1967	-	27,000	6,806	204,114	6,729	-	-
1968	-	45,000	6,942	206,869	7,348	209,000	28,579
1969	28,579	53,200	5,729	193,150	7,219	204,000	57,981
1970	57,981	44,190	5,436	207,622	7,391	207,000	89,966
1971	89,966	47,100	5,836	217,566	7,765	271,000	70,031
1972	70,031	53,790	6,249	235,276	8,485	240,000	104,363
1973	104,363	57,000	6,676	163,616	6,118	223,000	89,185
1974	89,185	62,460	6,975	219,429	8,247	285,000	70,852
1975	70,852	61,750	7,333	251,333	9,173	280,000	87,429
1976	87,429	69,815	7,728	241,478	8,807	301,000	81,187
1977	81,187	55,610	7,954	259,293	9,208	307,000	71,928
1978	71,928	56,590	8,899	320,949	11,059	315,000	114,509
1979	114,509	67,755	9,108	241,756	9,012	341,000	64,900
1980	64,900	60,140	9,108	302,232	10,598	355,000	52,566
1981	52,566	66,620	8,723	320,471	9,728	344,000	77,206
1982	77,206	66,000	8,765	230,233	6,817	342,000	15,857
1983	15,857	40,347	6,409	331,267	10,956	334,000	36,106
1984	36,106	68,456	8,073	292,000 (est.)	12,611	338,400	37,478

1 - Column relationships are as follows:
Col. 2 + Col. 3 - Col. 4 + Col. 5 - Col. 6 - Col. 7 = Col. 8
2 - Seed use calculated at 200 pounds per hectare
3 - Losses set at 3 percent (highly conservative)

Sources: Wheat Production in Bolivia and Related Marketing Problems, Food and Feed Grain Institute, Kansas State University, 1982; Estudio de Pronóstico Agropecuario 1984, Ministerio de Asuntos Campesinos y Agropecuarios/USAID.

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2. Domestic Wheat Production Outlook

In 1982, the Kansas State University (KSU) Food and Grain Institute conducted a Title III financed study of wheat production in Bolivia. 1/ At that time the study pointed to technical and policy issues which needed to be resolved before any major increases in wheat production could be expected. The prevailing low official prices established for wheat put this crop at a comparative economic disadvantage vis a vis other crops grown in the traditional highland growing zones. Unless the price and net profitability relationships changed between wheat and other crops, wheat acreage in the highlands, where cultivable land is scarce, was unlikely to encroach on that of other commodities. KSU indicated that greater production based on increased yields was possible (a doubling of yields is feasible) assuming the introduction of improved varieties, a sufficient supply of quality seeds, and better cultivation practices. The expansion of wheat production in non-traditional, low land areas (mainly Santa Cruz Department), was linked to the suitability of wheat as a winter rotation crop for soybeans, cotton and corn. As the acreages of these crops increase, winter wheat acreage could also increase assuming: (1) the existence of attractive wheat prices, (2) the availability of good seed varieties and supplies, and (3) the resolution of specific technical problems created by acid soils and humidity.

1/ Wheat Production in Bolivia and Related Marketing Problems, Food and Feed Grain Institute, Kansas State University, 1982, AID Contract AID/DSAN-CA-0256.

Some significant steps have been taken since the 1982 Food and Feed Grain Institute Study was performed which are beginning to have a positive impact on wheat production. For instance, the GOB has reduced high subsidies on wheat flour, allowing the price for domestic wheat to rise. At the same time, milling standards for flour have been lowered thus making local grain more acceptable to millers. Additionally, through a Title III Program funded activity, the availability of certified wheat seed has been expanded, and lowland farmers, in particular, are increasing winter wheat plantings. It is anticipated that, if current conditions continue, farmers could increase wheat production to near record levels in 1984-1985 and approximately double current national wheat production within three years (to about 153,000 MT).

For purposes of projecting domestic wheat production and corresponding importation requirements, three scenarios are presented below. The first assumes a continuation of traditional rates of growth (12.7% per annum) resulting by 1989 in an 82% net increase over the 1979--1982 four year average production base (65,128 MT). (The 1983 and 1984 harvests are not used for this calculation due to disaster related anomalies.) The second scenario projects an annual production growth rate of 25%, leading to a 205% net increase in national production by 1989. The third option shows an optimistic, but attainable, growth rate of 33% per annum over the same five-year period.

	1985	1986	1987	1988	1989
Estimated Production (000-MT)					
Scenario 1 (12.7%)	73.4	82.7	93.2	105.1	118.4
Scenario 2 (25%)	81.4	101.7	127.2	159.0	198.8
Scenario 3 (33%)	86.6	115.2	153.2	203.8	271.0
Estimated Demand (000-MT) (10% increase per annum using the 338,400 MT base in 1984)	372.2	409.5	450.4	495.5	545.0
Estimated Import Requirements (000 MT)					
Scenario 1	298.8	326.8	357.2	390.4	426.6
Scenario 2	290.8	307.8	323.2	336.5	346.2
Scenario 3	285.6	294.3	297.2	291.7	274.0

Even the most optimistic domestic production Scenario 3 presented above leaves little doubt as to Bolivia's continued requirement for imported wheat. This is highlighted by calculating the foreign exchange value represented by the imported wheat in 1989. Assuming $250/MT of wheat CIF La Paz, this could range from $68,500,000 to $106,650,000 spent on imports per year depending on which production scenario is used. These relatively steep wheat importation bills will be incurred over a five year period when Bolivia will be trying to overcome severe economic and foreign exchange difficulties. Continued U.S. assistance under a new Title III Agreement will (1) significantly ease the foreign exchange burden of these wheat imports, (2) provide the incentives and resources needed to deal with the pricing and productivity constraints to domestic wheat production, and (3) promote export directed investments which will help the country to expand foreign exchange earnings.

III. Analysis of the Completed PL 480 Title III Food for Development Program

A. Summary of Wheat Importations and Proceeds Generations

The current PL 480 Title III Food For Development (FFD) Program was signed on May 31, 1978 and was completed by May 31, 1984. The original amount of the Agreement was $75.0 million, but was increased by amendment to a total of $92.5 million in response to natural disaster caused food shortages in 1983. Over the life-of-project, some 540,000 MT of wheat and 29,000 MT of rice were imported and sold throughout Bolivia. The table below indicates the grain imports by year and respective CCC values (Amendments Nos. 3 and 11 are not included here because they did not result in additional wheat or rice imports).

Year	Amendment No.	Wheat Metric Tons	Amount US$(000)	Cumulative US$(000)
1978	1	85,000	10,800	10,800
1979	2	89,000	12,000	22,800
1980	4	26,000	5,000	27,800
1980	5	47,000	8,400	36,200
1980	6	22,000	3,900	40,100
1982	7	63,000	10,000	50,100
1983	8	114,000	18,600	68,700
1983	9	29,000 *	8,800	77,500
1983	10	31,000	5,000	82,500
1984	12	63,000	10,000	92,500

* Rice import.

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From commodity sales generation proceeds, the GOB has deposited the equivalent of $62,071,794 into the Program's Special Account and continues to make payments on the outstanding balance. Given that all funds in the Special Account are in local currency, exchange rate variations have caused the peso balances in the Account to diminish in dollar terms. Between 1978 and 1984, there have been four devaluations of the peso. The Executive Secretariat estimates that these four devaluations have resulted in the dollar value of the Special Account declining by $30,344,550. This decrease has been partially offset by interest earnings on pesos which are deposited in interest-bearing private sector bank accounts and by the increased number of pesos available to the Program as a result of devaluations. The Title III Program's interest earnings, which were authorized under Amendment No. 8, now total over $737,000 and have become a significant additional source of pesos. When one combines the additional pesos earned at interest with the much larger peso amounts being generated by wheat sales and considers that costs of labor and locally produced materials are not increasing nearly as fast as the peso is devalued, it is clear that the actual loss of purchasing power due to devaluation is much less than the $30,344,550 estimated by the Executive Secretariat.

A recent (June 1984) evaluation report on the Bolivian Title III Program by a GAO audit team found that although the reporting and accounting procedures exercised by the Executive Secretariat and the Ministry of Finance's Department of Project Coordination and Control (DCCP) are more than adequate for monitoring the flow of funds into and out of the Program's Special Account, there is some confusion in the

Agreement regarding the correct Currency Use Offset procedures to be applied to Title III funds. The team recommended (in agreement with previous USAID requests) that the Agreement be modified so that deposits be accredited for Currency Use Offset purposes at the time they are made into the Special Account rather than when they are disbursed from the Account.

B. Program Administration

The administration and management of the FFD Program is carried out by the GOB P.L. 480 Title III Executive Secretariat, with oversight by a Joint Commission composed of subsecretaries from five different ministries and by the Ministry of Finance's Department of Project Coordination and Control. The management and administrative performance of the Executive Secretariat has been the subject of regular evaluations and audits; the findings and conclusions consistently have been extremely positive and laudatory. The Program's accounting system is up-to-date, complete and extremely well documented. Monthly financial reports are prepared punctually, and reconciliations of Program and project accounts are done trimestrally. An effective budget control system is used to monitor both Program and project performance.

The 11 technicians on the Executive Secretariat staff are noted for their dedication, competency and integrity. The efficiency and effectiveness of the Executive Secretariat is manifested by the generally high quality of the projects generated by the Executive Secretariat's review and approval process, the speed with which this is done, and the disbursement rate which averages over $550,000 per month. Projects

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are supervised on a regular basis even though the number of distinct subprojects now totals more than 120 throughout the country.

Areas for improvement are largely at the level of project and subproject administration, which is frequently in the hands of administratively inexperienced technical personnel of the implementing agencies. While project record keeping and accounting manuals have been prepared by the Secretariat for project managers, it has been recommended that the Title III group assume a stronger back-up support and supervisory role. Under the new FFD Program, mobile project accounting supervisors will be contracted for this purpose.

C. Evaluation Findings for the Terminated Food for Development Program

The 1978-1984 Food for Development Program has been evaluated annually by the Executive Secretariat and USAID for the last five years. In addition, it has been audited in 1981 and 1983 and evaluated by external evaluators three times. The firm Rural Development Services evaluated the Program in 1982 and 1984 and the United States General Accounting Office evaluated the Program in 1984 (findings are expected to be published in early 1985). The findings of all these internal and external evaluations and audits have concluded that the Bolivian Title III Program is a large, diversified, well managed, effective development program. As noted, the completed Title III Program has financed over 120 rural development, agricultural and health subprojects which have been or are being implemented throughout Bolivia. Not all Title III projects and subprojects have been successful. FFD projects have been affected by all the problems faced by other development activities in Bolivia (e.g. weak implementing agencies, political instability and turmoil, and economic deterioration). What distinguishes this Program is not an absence of problems, but rather the way in which the Executive Secretariat and USAID have acted together to resolve impasses that arise and to avoid such difficulties in the future.

Quotations from the Program's three external evaluations are presented below in chronological order. These quotations provide a useful insight into the degree of success which has been achieved as well as several important reasons why the Title III Program has been successful.

1. An Evaluation Of The Bolivian Food for Development Program: Its Institutional Performance And Impact On Farmers 1979-81, Rural Development Services, March 31, 1982.

"Accustomed to the excruciating slowness of Government bureaucracies, P.L. 480 project implementing agencies regard the Secretariat with undisguised awe -- for its speed and administrative ease, the commitment of its staff, the efficient supervision of projects and the general reliability of funding. In their institutional interviews, agency staff described their dealings with the Secretariat with such words as 'agile', 'rapid', 'flexible', 'easy to deal with', 'sensible', 'dynamic', 'efficient', 'good for the country', and even 'miraculous'."

"Almost all projects on which impact evaluation data was collected reported a preponderance of positive responses -- sometimes lopsidedly so -- over neutral or negative opinions regarding project benefits received by participating rural households. Increased cash income and improved yields were the most commonly-mentioned benefits, but many intangible gains were also frequently reported: for example, an enhanced sense of welfare, security, and health; or improved aspirations for the future; or a greater legacy for their children; or greater self-worth."

"Overall, the evaluation found the Bolivian P.L. 480 Title III Program to be an outstanding development undertaking, possibly the best-administered and most widely beneficial rural development program we have witnessed anywhere in the Third World."

2. Draft Review of The P.L. 480 Title III Food for Development Program Bolivia, Summary, U.S. General Accounting Office, Latin America Office, June 1984.

"Upon visiting projects we found that most were being well implemented despite problems common to most development efforts, such as contractor problems and procurement delays. The results of several projects can be used to show how crop yields have improved as a result of Title III. One example is a rural development subproject which financed the purchase of soybean, corn and rice seeds by the Tropical Agriculture Research Center (CIAT) in the Department of Santa Cruz. Seed was purchased from participating farmers and used by CIAT to process and resell as certified seed. A similar subproject was also financed using wheat seed. A CIAT official estimated that 1,100 participating farmers have received improved seed for planting as a result. In addition, CIAT was able to provide certified wheat seed to areas outside of

Santa Cruz that otherwise would not have produced wheat due to the 1983 drought and crop failures."

"We believe that results achieved would not have been possible without the dedicated involvement of the GOB Executive Secretariat staff, their coordination with the AID Mission, and the follow-through on procedures established over the control and use of local currency generations. Both the GOB and the Mission have demonstrated their commitment to using the Title III Program as a priority development tool focused on self-help efforts to improve the income, productivity, and health of Bolivia's rural population."

"We recommend that the Administrator, AID, consider using Bolivia as an example of how Title III can be used as an effective development tool, and encourage the use of organization and management features discussed here when Title III programs are proposed in countries eligible for this assistance."

3. <u>Second External Evaluation Of The Bolivian Food For Development Program (P.L. 480 -- Title III), Its Institutional Performance and Impact On Farmers,</u> Rural Development Services, July 12, 1984

"The Executive Secretariat has an excellent financial control system that allows for close control over project and office expenses. The audit report for the fiscal year ending September 30, 1983 did not bring up any significant problems nor discrepancies."

"USAID support to the Secretariat has been characterized as positive and crucial to the success of the Program. Relations between the two institutions are excellent and the Secretariat has indicated that USAID exhibits tremendous cooperation in the resolution of problems as they arise."

D. Policy Impact

Over its five year life the policy uses and impact of the completed PFD Program were enhanced and modified. From 1978 to 1980, most of the policy-oriented dialogue related to the Program focused on achieving compliance with the original, largely sectoral, self-help measures (i.e. real increase in the public agriculture sector budget, reorganization of the Ministry of Agriculture, maintaining the real value of the public health sector budget, and measures to encourage the production and marketing of local wheat). The first external evaluation of the Title III Program conducted in 1982 showed only partial achievement of these objectives. It indicated that the rather narrowly defined measures had, in some cases, been overtaken by events and become less relevant.

From 1981 to 1983, the use of the Title III Program, as an important element in the bilateral policy dialogue, resulted in substantial progress in obtaining favorable actions on a variety of important issues of interest to the U.S. Government (e.g. strengthening of democracy, coca control, economic stability) and in addressing major macro-economic and development constraints. An initial packaging of A.I.D. projects (including Title III) was instrumental in mid-1983 in encouraging Bolivia to return from a military to a constitutionally elected democratic government. Since the

October 1983 return of democracy, the Title III Program has been the key component of the A.I.D. portfolio used to achieve U.S. objectives in Bolivia. Below is a partial list of political and economic policy achievements where the use of Title III tranches was a significant factor:

-GOB establishment of an Interministerial Narcotics Commission;

-formation of a Food Aid Subcommittee to coordinate donor aid and logistics;

-initiation of steps to reorganize the Ministry of Agriculture;

-GOB movement toward a real interest rate policy on commercial lending;

-establishment of a Policy Analysis Unit to improve the quality of GOB economic decision-making;

-movement toward, and formulation of, an effective GOB coca control plan;

-reductions in consumer subsidies on flour, petroleum and other products;

-reduction of wheat subsidies from 60% to 10%, representing a $50.0 million reduction in the GOB's fiscal deficit in CY 1984; and

-GOB public statements condemning USSR armed occupation of Afghanistan and support for the existence of Israel.

In order to most effectively use the completed Title III Program as a versatile and powerful policy promotion instrument, USAID moved to assist the GOB to define policy priorities and perform policy analyses through the creation of a Policy Analysis Unit supported by DA and FFD Program resources. This Unit serves as a research and analysis group backstopping the economic cabinet (Ministers of Finance, Planning, Industry and Commerce and President

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of the Central Bank). As a result, the GOB has gained clearer policy options and priorities from this intervention. The Unit will continue to identify a series of discrete policy measures and actions which the Mission can further encourage through the A.I.D. portfolio, particularly the Title III Program. Key activites focused on to date include: (1) the preparation of recommendations to modify the existing tax system and tax administration procedures and (2) the development of a mini-devaluation system to be adopted in mid-September on a weekly and daily basis. Other related policy and program issues being addressed by the Unit in the short run include: interest rates, agricultural price controls, exchange rates, fiscal reforms, debt renegotiation, and incentives to stimulate foreign investment. Longer term efforts include: the reduction of the fiscal deficit (e.g. improved efficiency of state enterprises), an increase of revenues (e.g. improved tax system) and the acceleration of economic growth (e.g. accelerated private sector growth and exports).

E. Development Program Impact

Annex No. 2 to this paper lists the various FFD projects and subprojects included in the 1978 Agreement as amended, the peso amounts budgeted for each, the implementing entity and the Department where the project is being implemented. In sum, over $29,000,000 have been disbursed for 120 discrete activities, which have provided development benefits to more than 68,000 rural families (340,000 persons), or 11% of the rural population. Additionally, between 1979 and 1983, the Malaria Control and Erradication Program has reached 3,104,000 persons, the Yellow Fever Control Program 969,500 persons, the Extended Inmunization Program 817,900 vaccination recipients, and the tuberculosis control program 65,983 persons.

The economic impact of the assistance, investments, production, services and health benefits attributable to the FFD Program would be extremely difficult to calculate. However, in both the 1982 and 1984 evaluations the principal contractor, Rural Development Services (RDS) sampled beneficiary reactions and perceptions of different projects. In total, 659 families were surveyed between the two evaluations. Combining these responses, a fairly clear picture emerges. The projects receiving the highest marks in the evaluations include the Integral Cooperatives, Departmental Development Corporation managed Rural Development Projects, Small Farmer Credit, Campesino Scholarship Fund, Community Conservation and Control of Communicable Diseases. Regarding production and credit activities, farmers cite increased family income and consumption as the most significant benefits obtained. In addition, Integral Cooperative members point to increased yields and farm capitalization as important benefits. It is also clear that a large percentage of the farmers benefitting from the projects and services initiated with Title III funding would have received very little or no support in the absence of the Program. Especially over the past two to three years, the importance of FFD financing for rural assistance activities has been magnified given the general economic problems most development organizations face. In some instances, FFD financed activities have been the only ones operating within certain agencies.

Detailed analyses of the performance of each FFD component, project and activity can be found in the 1982 and 1984 Rural Development Services evaluations, the 1984 Draft GAO Evaluation, and in the Food for Development Annual Reports (1979-1983).

IV. The Proposed FY 1985 Title III Project

A. Goal and Purpose

The $75.0 million three-year FY 1985 Title III project will serve as the centerpiece of USAID's strategy and one of its principal policy instruments. The project will be used to: (1) promote the adoption of policies (e.g. agricultural pricing, interest rates, commodity exports) critical to the country's economic recovery, (2) reinforce the GOB's economic recovery program by reducing foreign exchange requirements for food imports, (3) continue to support the agricultural sector by emphasizing USAID's market-oriented, demand-pull approach and related investments in productive infrastructure, and (4) support private sector recovery and growth.

B. Relationship to the USAID Country Strategy

1. Strategy

The USAID strategy presented in the FY 1985 CDSS (January 1983) was developed to strengthen and stabilize Bolivia's newly returned democratic system by assisting in the GOB's effort to deal with the country's serious economic crisis. An equally important objective was the control of illegal coca production and trafficking. In March 1983, an emergency component was added to the strategy to respond to the unprecedented "El Niño" drought and flood disasters which severely jeopardized domestic food supplies, added to the complexity of the economic crisis, and increased the number of politically controversial actions necessary for economic recovery.

In light of the FY 1986 CDSS Update (February 1984), the original USAID priorities to be addressed in the early part of the 1984-1990 planning period were refined. The short and medium-term priorities include: support for an accelerated recovery, response to the food emergency situation and the implementation of the recovery effort in the rural areas affected by the 1983 disasters, encouragement of an accelerated decrease in illegal coca production and narcotics trafficking, and increased private sector participation in Bolivia's development process. The Mission's primary program priority concerns the expansion of private (emphasizing agricultural) development in the Bolivian economy with particular emphasis on the La Paz-Cochabamba-Santa Cruz Corridor (an area which, compared to other regions, can be more easily developed due to the existence of a nascent marketing and infrastructure base as well as other favorable development factors). USAID's principal strategy objective is to promote self-sustained economic growth and to improve the well-being of the rural poor through increased commercial small farm production, improved non-farm employment and larger real incomes. In response to the urgent need to revitalize the Bolivian economy, the Mission's program (including the new Title III project) will place special emphasis on expanding the role of an efficient, productive private sector.

To develop Bolivia's growth potential and a productive private sector, the strategy will utilize a demand-pull approach through which enhanced marketing of agricultural commodities and non-farm products will stimulate increases in production and, by extension, improve the income level and standard of living for the rural poor. Demand will be enhanced through a series of activities that emphasize the development of markets, agribusinesses and agroindustries. To meet the demand, rural activities will reinforce farmer actions to improve the quantity and quality of their production. It is anticipated that increased market transactions will trigger ancillary "demand-pulls" (i.e., multipliers) within the regions addressed. For example, increased farm production will heighten the demand for agricultural inputs (e.g. chemicals, fertilizers, improved seed varieties), as well as enhance the demand for production credit and skilled technical assistance. The synergism of these factors will result in increased incomes raising the demand for consumer goods and basic social services, which, when provided, will contribute to overall development.

The original Title III Agreement, placed considerable emphasis on agricultural production activities and on public sector institutions as the principal program implementors. The new Title III Program will continue to support the agricultural sector; however, it will increasingly emphasize private sector market related activities. This emphasis will coincide with USAID's demand-pull approach to development. Accordingly, high priority activities of the new Title III project will include: feasibility studies related to the expansion of existing agroindustries and the establishment of new ones, loans for start-up and working capital costs of productive agroindustry and artisan enterprises, research and development activities to improve or introduce products and product lines, development of farmer marketing associations, construction of agricultural produce bulking/storage and rural collection centers, technology transfer related to agricultural and artisanry marketing, and development of improved export promotion laws. In addition, the new Title III project will make available funds for productive infrastructure (e.g. access roads and irrigation systems) and improved production (e.g. credit, improved seed multiplication and certification) -- interventions required by farmers and artisans to respond to the enhanced marketing opportunities created by the demand-pull strategy.

To achieve accelerated economic recovery, the strategy will utilize Program leverage in the ongoing Mission-GOB dialogue to encourage the

Government to address a series of macroeconomic and developmental problems which have traditionally plagued the country and are the basic causes of the existing economic crisis. During FY 1984 and FY 1985, USAID will give particular attention to the application of its assistance projects (particularly P.L. 480 Title III) in bringing about policy improvements which can alleviate critical development constraints. The highest priority will be to encourage the GOB to reduce its chronic fiscal deficits, as well as to adopt other policies necessary to stabilize the economy. Specific priority areas in the short-run include: monetary policies, interest rates, agricultural price controls, exchange restrictions on exports, and policies and programs to reduce coca production and drug trafficking. These priority problem areas and their related corrective policies are more fully described in the U.S. Mission's "Macroeconomic Analysis of the Bolivian Economy" report, a summary of which is included in Section II.A.

The proposed Title III Program is fully consistent with the Mission's economic recovery concerns. The CDSS Update (February 1984) and the FY 1986 ABS (June 1984) have emphasized that the P.L. 480 Program will serve as the centerpiece of the USAID strategy and corresponding policy dialogue. The GOB's need for Title III imports provides a unique opportunity for the Mission to encourage policies which, while politically difficult, are essential for economic recovery. USAID's experience with policy dialogue indicates that the leverage provided by P.L. 480 Title III Agreement signings and tranches (shipments) is a highly effective means of influencing critical policy decisions. One example of how this leverage was applied under the first Title III Agreement was the utilization of the final $10.0 million tranche to help the GOB decide to reduce wheat subsidies from 60% to 10%.

Another example from the first Agreement was the use, during 1983, of Title III leverage to encourage the GOB to sign important agreements concerning coca control and narcotics trafficking. These and other experiences during the first Title III Program indicate that both Title III projects and policy leverage can be successfully used to achieve important macroeconomic, political and development objectives.

The first Title III Program was successful in achieving a variety of policy objectives because the subprojects financed under, and the policy objectives addressed by, the Agreement and its amendments were flexible enough to allow for additions and deletions during the life of the project to conform with changing economic, political and developmental conditions. During the life of the Program, the number of projects was increased from twelve to seventeen; one project was cancelled; and the relative magnitude of importance of the remaining projects was modified substantially as resources were transferred from less successful to more successful projects. One of the five additional projects provided by amendment to the Agreement was the Policy Analysis Unit Project which was added in 1983 to complement the AID grant financed $1.2 million Policy Reform Project. This project has been assisting the GOB to analyze and adopt policies which have been needed to provide an improved economic and developmental environment which has been considered to be a necessary condition for Bolivia's economic, social and political development. Most recently, the Policy Analysis Unit Project has assisted the GOB to formulate a mini-devaluation program similar to that being successfully used by Peru and has taken a lead role in preparation of tax code and tax administration reform legislation presently being reviewed by the Bolivian Congress.

Flexibility has also facilitated attainment of key policy objectives. Four years after the Agreement had been signed, USAID/Bolivia and AID/W agreed that many of the original policy objectives were no longer priorities and/or relevant in the context of Bolivia's economic crisis and ambience of continual political flux. Accordingly, the original policy objectives were carefully analyzed and the entire policy objective section of the Agreement was redrafted to reflect changed economic and political conditions.

The new three-year $75.0 million Title III Program will provide an important opportunity to address a number of politically difficult macroeconomic and sectoral development constraints. Although the specific elements of conditionality to be attached to each signing ceremony will be determined by the GOB's progress in improving the economic situation and by changing political conditions, USAID expects that P.L. 480 leverage will be applied in the following manner. Signing of the new Agreement and the first tranche of wheat will be used to encourage the GOB to adopt and implement a number of macroeconomic policies and actions that are critical to economic recovery. These activities, which are a continuation of the April 12, and May 17 economic measures, include:

1) implementation of a program of automatic mini-devaluations which will allow the GOB to maintain a constant real exchange rate;

2) implementation of a crawling peg price adjustment system to reduce and eliminate consumer subsidies on food and hydrocarbon products;

3) renegotiation of Bolivia's debt with the international banking consortium;

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4) adoption of a tax reform package with improved collection procedures to increase government revenues;

5) development of an austere 1984 budget which will strongly reduce the GOB's budget deficit;

6) periodic adjustments of interest rates in order to gradually eliminate Bolivia's current negative interest rate structure and replace it with a system of positive real interest rates; and

7) reduction of the inflation rate from its current estimated level of 700% for CY 1984 to approximately 100% for CY 1985.

Wheat shipments for the second year of the project will be primarily conditioned upon GOB actions to address essential structural reforms and selected sectoral constraints. These include:

1) implementation of the tax reform package and improved collection procedures;

2) formulation and implementation of a new banking law to improve efficiency and increase competition among local banks;

3) formulation of new labor legislation which will encourage use of Bolivia's abundant labor resources and reflect the relative real prices of labor and capital in the Bolivian economy;

4) reorganization and decentralization of the Bolivian Agricultural Bank (BAB), including the complete separation of large and small farmer lending functions, adoption of sound financial management practices, and incorporation of a rural savings program;

5) reorganization and decentralization of the Ministry of Campesino Affairs and Agriculture (MACA), including the establishment of private sector advisory committees for each regional MACA office; and

6) reorientation of existing GOB policies and the adoption of necessary incentives to promote increased foreign and private investment.

Wheat shipments during the third year will be primarily targeted toward alleviation of additional structural and sectoral constraints and will include the following activities:

1) identification of unprofitable Bolivian state-owned industries in order to provide positive recommendations on how to improve the efficiency of and/or implement disvestiture of these enterprises;

2) strengthening of private and mixed private-public agricultural research and extension programs;

3) adoption of a new procurement law by the GOB which would reduce traditional delays of up to a year in completing procurement or other contracting actions involving formal bidding procedures;

4) completion of the USAID-IBRD effort to reorganize the Bolivian Office of the Controller General; and

5) implementation of price and market-intervention policies for selected products which continue to suffer from production and/or marketing disincentives.

2. A.I.D. Policies

The proposed project is supportive of development objectives described in a number of A.I.D. Policy Papers on Food and Agricultural Development, Private Enterprise Development, Institutional Development, Recurrent Costs, Technical Training, Nutrition and Health Assistance, and Women in Development. In relation to the Food and Agriculture Development Policy Paper, the project is designed to (1) provide production credit to cooperative organizations and producer associations through established integral and second level cooperatives, and local private banks, (2) support rural development projects having a positive impact on the income, employment, health, nutrition and well-being of the rural poor, (3) finance investments and research which will help Bolivia increase wheat production, (4) construct and improve access roads and water management systems, and (5) support research and extension systems within both private and public sector institutions. As recommended in the "Private Enterprise Development Policy" Paper, the project will establish a series of credit lines to provide agroindustrial credits to small and medium sized enterprises which have backward linkages to Bolivia's poor small farm producers. In response to the "Institutional Development Project Paper", the project makes available funding to organize and support marketing cooperatives, producer organizations and artisan associations. In support of the "Recurrent Costs Policy Paper", the Title III project aims at alleviating the GOB revenue deficit by using generated funds to finance productive activities. The GOB revenue deficit will also be eased by USAID's strategy of encouraging greater private sector involvement in providing agricultural credit and inputs, health care services for non-communicable diseases, marketing facilities, and productive infrastructure systems. In addition, the project supports the "Nutrition, Health Assistance" and the "Private Voluntary Organizations Policy" Papers by providing financing of health and nutrition sub-projects to be implemented by private sector firms, organizations and PVOs. Lastly, the project is in consonance with the "Technical Training" and "Women in Development Policy" Papers. In this context, the project will continue to support the campesino scholarship (agricultural and vocational) program established by the first Title III Program, as well as stimulate increased production of agricultural and non-traditional artisanry commodities, economic activities in which women widely participate.

The new Title III project is also supportive of policy objectives delineated in two Policy Papers -- "Pricing, Subsidies, and Related Policies in Food and Agriculture" and, most importantly, "Approaches to the Policy Dialogue." As recommended in the "Pricing, Subsidies, and Related Policies in Food and Agriculture Policy" Paper, the project will be used as leverage to: (1) improve food pricing and distribution policies, (2) encourage the employment of food commodities to support food distribution programs that are effectively targeted to population groups with special and unmet nutritional needs, (3) move the GOB to adopt more realistic producer and consumer price policies, and (4) promote the adoption of sound finance and credit policies (e.g. interest rates) in support of a coherent GOB economic recovery plan. As recommended in the "Approaches to the Policy Dialogue" Paper, the project will clearly serve as the major Mission instrument for pressuring the GOB to make necessary policy reforms. As such, the Title III Program calls for the formulation and implementation of conditionality elements consistent with, and supportive of, USAID program objectives involving U.S. policy concerns, including support of GOB efforts to bring about an accelerated economic recovery and the promotion and expansion of the participation of the private sector in the Bolivian economy.

The new Title III project addresses all four of the Agency's priority areas -- technology transfer, institution building, support for the private sector, and policy reform. All of these areas are to be addressed through the 15 local currency financed subprojects which the Mission and the GOB have identified as being priority areas under the new Agreement. Lastly, mention is made of the Title III project's conformance with the LAC Regional Strategy in that it addresses the identified problems of financial disequilibrium, slow growth of productive employment and inadequate spread of the benefits of growth. To this effect, the conditionality and self-help objectives of the Title III Agreement: (1) place emphasis on economic stabilization including encouragement of the GOB to undertake IMF supported stabilization programs and policies, (2) provide support for structural improvements in the economic system, particularly those providing greater incentives to assure expanded private sector production, export and employment generation activities, and (3) concentrate on the agriculture, private and health sectors which are highly relevant to Bolivia's situation and to the achievement of U.S. political and economic interests and objectives.

3. <u>Other Donor and Host-Country Activities</u>

Coordination with other donors is a key element in the implementation of USAID development and policy objectives. Work with the other donors includes the establishment of sectoral and geographical distribution of effort in order to avoid duplication. As a result of such coordination, USAID is concentrating its resources in the agriculture, health and private sectors, largely in the La Paz-Cochabamba-Santa Cruz Corridor, while the other large international donors (e.g. IDB, IBRD) focus on the mining, hydrocarbon and energy sectors in which they have a comparative advantage in terms of available financing. The organizations which have substantial interactions with USAID development activities in Bolivia include: the United Nations Development Program (UNDP), the Food and Agriculture Organization (FAO), the Organization of American States (OAS) and its related Interamerican Institute for Agricultural Cooperation (IICA), the Japan

International Cooperative Agency (JICA), the World Bank (IBRD), the International Development Bank (IDB), the International Monetary Fund (IMF), the European Economic Community (EEC), and the German, Canadian and Swiss governments. As with the recently completed Title III Agreement, the complex and diverse development activities to be carried out under the new Agreement's 15 subprojects will be carefully selected both to avoid duplication and to ensure complementarity. Specific examples of Title III activities requiring coordination are those related to the West German government's efforts in micro-irrigation, Switzerland's cattle breeding program, the UNDP's coca reduction/control development related activities proposed for the Yungas (Bolivia's second largest coca production region), and the IDB's agricultural and agroindustrial credit programs, Chapare Electrification loan, and road construction activities. Regarding policy objectives, USAID coordinates and collaborates closely with the multilateral and bilateral donors to encourage improved GOB performance in economic recovery, private sector development, and institutional strengthening.

The new Title III Program will also be utilized to strengthen the administrative and delivery capabilities of public and private sector development institutions. Among these, the Departmental Development Corporations (DDCs) will continue to receive special attention and support in carrying out priority rural development activities given their effectiveness as discussed in the Title III evaluations. Other institutions to be supported include: the Center for Tropical Agricultural Research (CIAT), a locally controlled research and extension center that works with producers' associations to identify and resolve priority research problems and transmit improved technology information to producers; the Secretariat for the

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Development of the Bolivian Tropics (SDBT), the institution responsible for the implementation of the Chapare Regional Development project; the National Federation of Savings and Loan Associations (FENACRE), a cooperative association presently providing production and marketing credit to cooperative and producer associations; the Tarija Soils Rehabilitation Program (PERTT), as well as other public and private natural resources management and environmental protection oriented organizations and; the Ministry of Social Welfare and Public Health's disease prevention and eradication programs

4. Related USAID Activities

USAID is directing a substantial effort toward increasing the productivity and incomes of small farmers. As noted above, the approach being used to achieve this increase is a demand-pull strategy. Enactment of this strategy entails a close, mutually-supportive relationship between agroindustrialists and growers. The industries represent a key element in creating markets, while farmer products are essential to the stability and growth of enterprises. Existing and planned USAID projects will continue to support both components of this mutual relationship. Regarding the producers, the ongoing Agricultural Sector II and Small Farmer Organizations projects are furnishing assistance to growers to increase yields through applied research, credit, and institutional formation (integral cooperatives). These efforts are being complemented by ongoing production related activities financed by the completed Title III project. Concerning agroindustry, the ongoing Agroindustry and Artisanry (A&A) project is providing credit to expand existing enterprises and help establish new ones. In addition, the recently signed Chapare Regional Development project, contains an important production component and will also work directly with private enterprises to enhance markets for Chapare commodities.

Current USAID support for agroindustry will be complemented by new initiatives planned for the near-term future. The Market Town Capital Formation project will provide financing to extend increased private enterprise development to secondary and tertiary cities in the previously noted Development Corridor. A private second storey bank, to be developed under the planned Agroindustrial Development project, will provide an additional source of badly needed investment funds for the private sector. The proposed Handicraft Export Development project will assist artisans and artisanry-based enterprises to develop products for specialized high value foreign markets. Lastly, the Producer Organizations project, planned for FY 1985, will enhance the role of producers (i.e. small farmers and artisans) in marketing their own commodities.

While the Mission believes that the current and planned projects represent a sound case for developing an efficient agroindustrial sector, it recognizes that other complementary activities are needed. Accordingly, the USAID CDSS Update and FY 1986 ABS propose the initiation of the new Title III Program which focuses principally on development activities with private sector participation and on the Mission's demand-pull strategy which uses private sector firms and institutions as a stimulus for increased farm production and employment. Toward this end, the new Title III Agreement will give an increased role to private sector entities as vehicles for project implementation, as well as put greater emphasis on marketing and the strengthening of agroindustries as opposed to pure production activities (although farm production is still considered important and will receive substantial Title III assistance).

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C. Program Focus and Content

1. Self-Help Objectives

The Project Agreement for the new P.L. 480 Title III Program will contain a list of self-help objectives that support the implementation of specific projects in the Title III Program and which will contribute toward the definition and implementation of an aggressive program of economic recovery in which a dynamic and expanding agricultural sector will directly contribute to the development progress of the rural poor. These objectives are consistent with USAID's demand-pull development strategy which emphasizes the creation and/or identification of enhanced marketing opportunities that, in turn, will stimulate production and productivity thereby increasing small farmer incomes and welfare. The self-help objectives that will be included in the Title III Agreement are as follows:

a. establishment of a warrant credit fund or other acceptable mechanisms for local wheat production which will allow local wheat to compete on an equal basis with imported wheat (the latter is delivered in bulk quantities to millers who are allowed up to ninety days for processing, marketing and repayment of the wheat);

b. establishment of a rural development bank with significant private sector participation, which will provide agricultural credit to small and medium farmers;

c. decentralization and restructuring of the Ministry of Agriculture and Campesino Affairs;

d. expansion of the National Seed Industry which relies heavily on private sector participation for both the reproduction, processing and sale of improved and certified seeds;

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e. strengthening and expansion of producers' associations which include in their membership, and provide services to, small and medium sized farmers or ranchers;

f. strengthening and expansion of the mixed public/private decentralized agricultural research and extension models, such as that employed by the Tropical Agriculture Research Center (CIAT) in Santa Cruz;

g. increase agricultural credit interest rates and remove price controls on agricultural commodities;

h. continue to improve agricultural statistics, production monitoring and sector policy formation; and

i. support private sector agroindustrial expansion by facilitating foreign exchange for agroindustrial requirements, expanding investment and export credits, and eliminating export barriers.

D. 2. <u>Description of Projects and Budgets</u>

The FY 85-87 Title III Program will consist of 15 projects which fall into two major categories. The first category contains projects whose primary purpose is to strengthen the private sector or to use private sector groups or institutions as vehicles for achievement of development objectives. The second category includes projects which are designed to improve GOB policies, institutional capabilities, provision of public services or project implementation capacity. A list of all the projects proposed for the Title III Program to be implemented during the 1984-1990 period as well as a proposed funding level for each project is presented in the following table. Detailed descriptions for each project are presented in this section of the paper.

Proposed Financing Lines for the $ 75.0 Million,
PL 480 Title III Program

	Projects	Proposed Funding Level ($ 000)
a.	Strengthening of the Private Sector	39,500
	1. Agroindustrial Credits to Small and Medium Enterprises	7,000
	2. Strengthening of Producers' Associations	5,500
	3. Small Farmer Agricultural and Livestock Production and Marketing Credit	12,000
	4. Wheat Production and Marketing	3,000
	5. Support to Research and Extension Systems	2,500
	6. Private Health and Nutrition Projects	2,000
	7. Pre-investment Studies	2,500
	8. Training	5,000
b.	Improvement of Governmental Policy, Institutional Capabilities and Service Functions	35,500
	9. Policy Analysis Unit	1,000
	10. Productive Infrastructure	11,000
	11. Control of Communicable Diseases	8,000
	12. Institutional Development	3,000
	13. Rural Development Projects	7,000
	14. Renewable Natural Resource Planning and Management	4,000
	15. Program Administration	1,500
	Total	75,000

a. Strengthening of the Private Sector

1. Agroindustrial and Artisanry Assistance for Small and Medium Sized Enterprises

(a) Problem

The demand and prices for agricultural and other rural products are constrained by market-related factors including the means to transform such production into higher value, more durable and consumer acceptable products. At the same time, there is significant unemployment and underemployment among rural inhabitants and the urban poor, and wages are extremely low in some agricultural areas. This labor pool contains manpower skills, talents, artistic abilities and entrepreneurial skills which could be much more productively and remuneratively employed. A limiting factor for creating employment generating and demand strengthening enterprises is capital and organizational assistance. Small to medium-sized groups, particularly those located in rural or small urban centers, have little access to commercial credit lines and institutions, nor can they get technical advice, training or organizational assistance as needed.

(b) Project Objectives, Goal and Outputs.

The objective of this project is to provide agroindustrial and artisanry credits and organizational assistance to small and medium-sized agro-processing, agro-input manufacturing and artisanry enterprises which have clear economic linkages to Bolivia's poor majority. The goal is to increase rural and low-income urban employment opportunities, productivity and incomes through the creation or strengthening of private business activities.

Over the three-year life of the program, 100 enterprises will be strengthened or formed; at least 1,000 jobs will be created or made more remunerative within these enterprises; the volume of rural raw materials and

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commodities demanded by these firms will be increased and the prices paid to commodity suppliers will increase at a rate close to or above the rate of inflation.

(c) Project Implementation.

Loans will be made to qualifying private firms, community enterprises or organizations, cooperatives or associations for the purchase of equipment, physical facilities, machinery, or other productive needs. Operating costs and raw material purchasing and inventory capital will also be financeable. In general, loans under this credit line will be relatively small (up to a peso equivalent of $350,000). Loan requests may be developed and transmitted through various channels including ICIs, PVOs, Departmental Development Corporations, other private or public institutions or directly by interested enterprises or investors. Disbursements and repayments for all approved loans will ultimately be channelled through an ICI.

Another set of eligible services includes technical assistance in such areas as business organization and management, appropriate and improved technologies, marketing organization and market expansion, product quality control and design improvement, and feasibility studies. Funding for such assistance will also be on a loan basis, but at a reduced interest charge, reflecting mainly the ICI administrative costs.

(d) Financial Plan (In Thousands of U.S. Dollars).

Budget Items	Amount Budgeted
Agroindustrial and Artisanry Loans	6,250
Technical Assistance	750
Total	7,000

2. <u>Strengthening of Producer Associations</u>

(a) <u>Problem</u>

As Bolivian farmers turn increasingly to commercial production, they encounter difficulties in getting their products to markets, obtaining the best prices for their produce, and in acquiring agro-inputs and other needed support services. The existing rural organizations are often not suited to furthering the farmers' market-oriented and economic interests. Traditional communal institutions (Ayni, Mitka, Jilacata) address the needs for social organization, authority and community works. The agrarian syndicates emerging from the agrarian reform movement of the 1950's are principally political vehicles for making community needs felt by government and are within the partisan political system. Cooperatives have developed to help farmers meet some of their economic needs; but many cooperatives have a social rather than a business orientation. Consequently, during the past decade, producer associations have emerged in response to farmers' felt needs for representative, economic-oriented organizations. The vanguard of this movement has been led by the generally larger commercial farmers and cattle raisers in Santa Cruz Department. Their success, mainly as marketing agents, brokers and spokesmen, has led some 33,000 Santa Cruz farmers to form producers' associations. Of these, 30,000 are small or medium-sized farmers. The concrete achievements and benefits obtained have sparked numerous initiatives in other parts of the country. This development is, however, hindered by leadership, organizational and management limitations, and start-up cost impediments.

(b) <u>Project Objectives, Goals and Outputs</u>

This activity will provide organizational, management, technical and start-up assistance to producer associations so that they can provide expanded marketing, technical or input services to their members directly or acting as a broker with other institutions. The project goal is to increase rural producers' production, productivity and incomes through improved access to markets and/or productive services. During the life-of-project, membership in producer associations will increase from some 40,000 to over 80,000; the organized marketing of rural production will significantly increase the profit margins of producers; and supportive production services will result in yield increases for farmer members.

(c) Project Implementation

Producer groups or associations will receive, on a loan basis, funding to help develop or expand their capacity to provide marketing or other productive services to their members. This includes: marketing information news systems; product collection, selection, packing and storage facilities; product purchasing, storage and transportation financing; input supply, inventory and distribution credits; and initial operating cost financing. Assistance will also be provided for feasibility studies, management and technical assistance, training of management and other key personnel, publicity and promotion activities, office equipment and installations, and other related start-up or expansion costs. Approved projects will generally be administered through an ICI, or, for some relatively small assistance requests, directly by the Executive Secretariat.

(d) Financial Plan (In thousands of U.S. Dollars)

Budget Items	Amount Budgeted
Marketing and Productive Service Loans	4,000
Institutional Development Grants	1,500
Total	5,500

3. Small Farmer Agricultural and Livestock Production and Marketing Credit

(a) Problem

The GOB's formal agricultural credit programs reach less than 5% of the farmers in Bolivia. The once efficient Small Farmer Credit Program within the Bolivian Agricultural Bank (BAB) has suffered a rapid decapitalization due to poor management, the bankrupt status of the BAB, the highly negative real rates of interest charged by that institution and, as a consequence of these factors, a much reduced flow of external credit funds to the BAB. Simultaneously, private banks and cooperatives and decentralized regional development programs have been assumming a larger role in small farmer credit delivery. These credit systems have been charging the maximum permissible legal interest rates, which are still negative in real terms. Consequently, these institutions have been turning to crop indexing arrangements to preserve the value of their capital. At the same time, they have sought ways to reduce lender and borrower transaction costs, and have turned to savings mobilization in order to expand their lending capital. While none of these institutions are, in the medium-term, capable of becoming large-scale national credit providers, their joint capacity to attend farmer credit needs is significant. The expansion and establishment of these organizations firmly in the agricultural credit business, with an attendant increase in farmer clients, is slowed by the tight availability of capital within the rural financial system and economy as a whole. Farmers who are able and willing to increase their productive investments, acquire yield enhancing technologies, and more effectively market their products are constrained by the limited availability of credit.

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(b) Project Objectives, Goal and Outputs

This project will increase the availability of agricultural and livestock production and marketing credit available to small and medium-sized commercial producers. The goal is to permit an expanded number of rural producers to increase their production, productivity and incomes through better access to production and marketing credit. The project will increase the number and coverage of financial institutions providing credit to producers, stimulate programs which are the most innovative and aggressive in maintaining and expanding the value and coverage of their portfolios, and, through credit, increase the production and net incomes of rural producer clients.

(c) Project Implementation

Production and marketing credit will be provided through the establishment of financing lines through existing banks, other qualified ICIs (e.g. cooperatives or organizations), and other groups which meet established criteria for carrying out rural financial activities. These individual credit lines will be expanded or contracted depending on the performance of the participating entity in reaching farmers, maintaining and expanding the value of the lending capital, promoting savings, increasing lending administration efficiency, and holding down delinquencies. Expansion of the credit line will also depend on the ability and willingness of the ICI to contribute increasing amounts of its own capital for Project lending purposes. A joint Executive Secretariat-USAID credit program committee will regularly evaluate program guidelines, lending entity performance as well as overall program performance and impact. In this regard, special analyses, studies and evaluations will also be funded.

Most of the credit provided through this project will be for annual crop production and will have a maximum term of 6-12 months. A lesser amount will be available for longer-term investments (2-5 years) for perennial crops, livestock, and productive infrastructure. Marketing credits will be short-term (3-4 months), depending on the characteristics of the particular marketing cycle involved. P.L. 480 Title III will provide these funds to the borrowing institutions at the rate established by the Central Bank for agricultural credit. On lending interest rates will be competitive with commercial rates for agricultural activities. Credits may be fully or partially indexed to the crop or product being produced to reduce the effects of high inflation on the purchasing power of capital.

(d) Financial Plan (Thousands of U.S. Dollars)

Budget Items	Amount Budgeted
Annual Crops	5,500
Perennial Crops and Productive Infrastructure	2,500
Sheep, Llama and Alpaca Production	1,000
Other Livestock Production	1,000
Marketing	1,800
Credit Evaluation, Studies Analyses	200
Total	12,000

4. Wheat Production and Marketing

(a) Problem

Wheat pricing, as well as technical and marketing obstacles have kept the volume of wheat grown in Bolivia from increasing substantially over the last fifteen years. In fact, domestic wheat production as a percentage of imports has slowly declined since 1970, resulting in increasing foreign-exchange bills to meet import requirements. Part of the reason for this

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lackluster performance is related to the pricing and marketing system. Prices for wheat have reflected the GOB's policy to keep bread and flour inexpensive for urban consumers. Another factor which has limited wheat production is that most of the country's wheat is grown on small plots in the highland and valley areas where, because of land scarcity, increased production must largely come from increased yields (present yields are about one-half of achievable levels). Production increases would only be possible if several conditions are met. These conditions are: use of improved varieties, a sufficient supply of certified seed, and an effective agricultural extension service to promote improved cropping practices. Even with increased yields, highland wheat farmers face marketing disadvantages and problems due to their individually low volumes and inability to deal effectively with the large volume flour mills. A government wheat collection and marketing scheme, implemented under the current FFD program, tried and failed to resolve several of these problems due mostly to bureaucratic and administrative rigidities and weaknesses.

Larger acreages suitable for mechanized wheat production are found in Santa Cruz Department, where wheat is increasingly becoming a winter rotation crop for soybeans, cotton and corn. Here the problems of prices, seed availability, acid soils and humidity must be resolved. Many of these producers are already affiliated with the National Association of Oil Seed Producers, ANAPO, which has the experience and capacity to bargain with the flour mills and arrange for storage and volume deliveries. Until recently, wheat seed availability has been the main obstacle to increased winter wheat production, along with low prices. The GOB's decision and actions in April 1984 to lower wheat flour subsidies and to let domestic prices rise, and a wheat seed production program started two years ago, have created a renewed interest in wheat production.

(b) Project Objectives, Goal and Output

This project will support private sector activities aimed at overcoming wheat seed, marketing, and price constraints as well as other technical problems which, once resolved, can result in substantial increases in national wheat production and a closing of the now widening gap between national production and imports. The project goal is to increase the amounts of nationally grown wheat, reverse the widening gap between local production and imports, and to reduce the rate of growth of wheat imports. The activities of this project, by its end, will have increased local wheat production to represent over 25% of imports and boosted national production in 1987 to 120,000 metric tons.

(c) Project Implementation

The project will provide funding to existing Regional Seed Councils in wheat growing areas. These Councils will develop seed inspection and certification programs and expand existing research and extension systems (private and public) in order to accelerate improved variety adoption and quality seed production. Most of the technical assistance, commodities and operating support for these activities will be grant funded, with the major exception being any requirements for seed processing equipment. Simultaneously, funds will be loaned to ANAPO and/or other producers' associations to set up seed purchasing funds and to finance storage and distribution systems. ANAPO will deal directly with the Regional Seed Councils in defining the volumes needed and negotiating prices for seeds. Other producer organizations may do the same to ensure their members a supply of certified seed. ANAPO and the other associations will sell these seeds to their members. Prior to harvest, ANAPO and other organizations will undertake a brokering and bargaining activity with the millers and the Ministry of Industry and Commerce to establish prices, volumes and delivery schedules. The producer organizations may also act with the millers to obtain warrant credits from the Title III Program, which will allow millers to pay cash to farmer members upon delivery of wheat. These measures will organize and regularize the market for wheat seed and for grain while augmenting the amount of local wheat going to flour mills. The pricing negotiations will be centered around the average CIF value of imported wheat and flour as well as on local production costs, and will take into account private producer, processor and public interests.

(d) Financial Plan (Thousands of U.S. Dollars)

Budget Items	Amount Budgeted
Seed Council Equipment, TA, Materials, Operating Costs	500
Seed Processing Equipment or Infrastructucture	500
Seed Marketing System Financing	2,000
Total	3,000

5. Support to Research and Extension Systems

(a) Problem

Bolivia's national research and extension organization, IBTA, suffers acutely from the same problems affecting almost all GOB agencies -- low budget, high staff turnover, discontinuity of programs, and highly centralized administration and authority. The research component is inadequately connected with extension activities and the norm is conventional on-station research. Very limited on-farm adaptive work is being done, and there is almost no analysis and transmission of findings to end users. The extension system is understaffed for the magnitude of work it faces (some 100 extension agents country-wide) and operating budgets are woefully inadequate to support field activities of even these few agents. In response to the deficiencies of the government program, extension and, to a lesser degree, research services are increasingly being provided by private or mixed public and private programs. The most successful mixed model is that of the Tropical Agriculture Research Center (CIAT) operating in Santa Cruz Department. CIAT's board of directors is composed of representatives of producers' associations, the Departmental Development Corporation and Gabriel René Moreno University. All of these groups contribute funds required by CIAT. Together, they give the program a clear client and service orientation. The results are manifestly superior to those of IBTA which has withdrawn completely from Santa Cruz Department. Other programs operate through private firms, such as the case of the Taquiña brewery which maintains an active research and technical assistance program directed at barley producers. Also, numerous farmer cooperatives and PVOs provide extension services and limited research programs for farmer members or target groups. Still, the number of farmers receiving any technical assistance at all is very small, despite the fact that this is a frequently cited need by farmers.

(b) <u>Project Objectives, Goal and Outputs</u>

This project will help strengthen existing and form new private or mixed public-private based research and extension systems. The goal is to raise farmer production, productivity and incomes through appropriate production technology development and dissemination. By the end of this project, at least five farmer-oriented, farmer participatory and largely privately financed research and extension programs will be serving over 1,500 farmers who currently receive little or no assistance of this type. Backward linkages between agroindustries or agro-marketing entities will be established through which firm-sponsored technical assistance programs will be provided.

(c) Project Implementation

Groups or firms interested in establishing or strengthening technical assistance and adaptive, applied research programs will be eligible for grant and/or loan financial support under this project. Based on the development and approval of well-conceived and financially viable proposals, funding will be made available for such activities as research, extension, organizational and management technical assistance, training, basic equipment and materials, initial operating support, including personnel costs, and vehicles. To be eligible for support, a proposed program must show how it will achieve self-financing status, substantial farmer participation, and clear production impacts within a two to three-year period.

(d) Financial Plan (Thousands of U.S. Dollars)

Budget Items	Amount Budgeted
Fund for Capital Goods and Operational Support	2,000
Funds for Technical Assistance and Training	500
Total	2,500

6. Private Sector Health and Nutrition Projects

(a) Problem

Malnutrition, combined with diarrehea and dehydration, account for approximately 50% of infant and child deaths in Bolivia. The national average infant mortality rate is over 200 deaths for every 1,000 live births.

Contributing factors include inadequate food intake, poor sanitation, poor nutrition education, and lack of low-cost health services. In the public sector, the Ministry of Social Welfare and Public Health is launching an oral rehydration program and a pilot nutritional surveillance system. The resources of Bolivia's private sector can be mobilized to further attack the causes of infant mortality.

(b) Project Objectives, Goal, Outputs

The goal of this project is to reduce malnutrition and other health problems of the rural poor through interventions by the private sector. The project will assist private sector firms, organizations or PVOs to increase the availability of nutritious foods and thereby increase the protein/calorie intake of mothers and children. It will also support private sector efforts to extend Oral Rehydration Therapy (ORT) programs to those groups not served by the Ministry of Health. Other primary care programs in the private sector will be assisted in their efforts to train personnel and to promote productive health interventions.

Some anticipated outputs of this project are: the local production of oral rehydration salts, infant scales, and weaning foods; improved distribution of these products; promotion of the use of iodized salt; and training of mothers' clubs and other groups in oral rehydration therapy.

(c) Project Implementation

Health and nutrition subprojects will be implemented by private sector firms, organizations, or PVOs. Loans will be provided to firms presenting projects to produce and sell products which will have positive impacts on the health and/or nutritional status of the poor. Other health programs emphasizing self-sufficiency will receive support for training, as well as some equipment and materials to enhance on-going programs.

(d) Financial Plan (In Thousands of U.S. Dollars)

Budget Items	Amount Budgeted
Loans for Health Product Development & Production	1,250
Private Sector Health, Nutrition Interventions	750
Total	2,000

7. Pre-Investment Studies

(a) Problem

Many small firms, artisans, cooperatives, producers' associations and communities have good project ideas for productive development projects that are eligible for funding under the Title III Program. Unfortunately, the individuals or groups with these ideas often are unfamiliar with project presentation and evaluation methodologies. When these individuals or groups come to the Executive Secretariat (or to USAID) with a project, it is not possible to determine if Title III can finance their project because their project presentation methodology is often inadequate.

(b) Project Objectives, Goal and Outputs

The objective of this project is to provide funds to finance feasibility studies or the cost of preparing project evaluation forms used in place of feasibility studies. Project funds may also be used to finance audits, evaluations and other types of studies which are of importance to the Executive Secretariat, the Government of Bolivia or to USAID. The goal is to increase rural and low-income urban employment, productivity, and incomes by increasing the number of acceptable projects which are presented to the Executive Secretariat.

Over the life-of-project, one hundred studies, audits, and/or evaluations will be financed under this activity. Of these, it is expected that at least seventy-five will result in loans being made to small firms, artisans, cooperatives, producer associations or communities which will increase incomes, productivity, and employment opportunities for rural and low-income urban workers.

(c) Project Implementation

Individuals or groups who have a project which requires a study, audit, or evaluation may present a request directly to the Executive Secretariat or to a local banking institution (ICI). Requests presented to the Executive Secretariat will be evaluated by the Secretariat and the beneficiary will be advised as to whether the cost of the study will be a loan or a grant. Normally, grants will only be given for studies that are unrelated to income producing projects or which will be prepared for public institutions.

Requests which are channeled through banks for productive projects will first be evaluated by the bank. If the ICI is interested in financing the project (subject to presentation and review of the feasibility study or project evaluation forms), it will submit a request to the Executive Secretariat indicating its interest. If the Secretariat is in agreement with the request, the ICI will be so notified. The bank and beneficiary will then select a local consultant from the Central Bank's list of prequalified private local consultants to do the study or to prepare the forms. The ICI, the Executive Secretariat and the beneficiary will then sign a letter of understanding indicating that, for projects which are shown to be feasible, the cost of the study (or of filling out the project evaluation forms) will be a loan which: (1) must be repaid no later than 30 days after preparation and delivery of the study or form; or (2) will be added to the cost of a subsequent loan which the ICI and the sub-borrower will make from the Executive Secretariat for the purpose of implementing the project. Should a study indicate that the project is not feasible, the interested party can pay back the full cost within 30 days and avoid interest charges. Otherwise, it will be considered a short-term loan and bear an appropriate interest charge.

(d) Financial Plan (In Thousands of U.S. Dollars)

Budget Items	Amount Budgeted
Preparation of Feasibility Studies or Project Evaluation Forms	2,000
Other Studies, Audits and Evaluations	500
Total	2,500

8. Training

(a) Problem

This project will address two problems. The first is the lack of educational opportunities for young rural dwellers. In many rural areas, there are no local secondary schools. *Campesino* families are thus forced to send their children to boarding schools for high school and vocational school training or to simply not send their children to secondary school. A large number of private boarding schools exist throughout Bolivia, but these schools generally offer a limited number of scholarships for room, board and tuition to children of *campesino* families who could not attend school without financial assistance. Nevertheless, large numbers of capable and needy *campesino* children do not receive a high school or vocational school education because of financial need.

The second problem is a lack of educational opportunities for persons who wish to receive vocational/technical training or training in the areas of business management, financial management, marketing, inventory control, product design, quality control, personnel management and related topics. USAID's Management Training Project will provide such an opportunity; however, Title III counterpart funds are needed to complement USAID's dollar denominated loan funds for those unable to pay tuition costs.

(b) Project Objectives, Goals and Outputs

This project will provide scholarships for 600 campesino children per year, enabling them to obtain a high school or vocational school education. It will also provide scholarships, training, and support costs that will help to train 1,000 people in business management techniques and related topics. The goal of this project is to provide educational opportunities to low-income rural and urban families which will help them acquire skills and knowledge that will make them more productive, increase their family earning power, and broaden their employment opportunities.

(c) Project Implementation

The Campesino Scholarship Program, which was begun under the 1978 Title III Agreement, is now providing scholarships through 14 private schools located throughout Bolivia. Each school is notified of the number of scholarships which the Title III Program can finance each year. The school assigns these scholarships among new and current students on the basis of need. Most of the scholarships offered are work-study programs which require the student to assist with building upkeep, maintenance and other productive activities (such as milking, feeding animals kept for food, baking bread). In this way, the schools require virtually no support staff and a large portion of the schools' "operations budget" can be used to provide additional scholarships. Title III funds may also be used to finance improvements or construction of classrooms, dormitories, and laboratories at participating institutions and to purchase educational materials and equipment.

Implementation of the Management Training Project will be carried out by a private educational institute to be established under that project. Title III funds will be used to support the institute's start-up operating expenses, to purchase needed materials and equipment, to train institute staff and to provide scholarships for students and institute personnel. Similar types of assistance may be provided to other private sector training institutions if these institutions provide the types of educational opportunities contemplated under the Management Training Project.

(d) Financial Plan (In Thousands of U.S. Dollars)

Budget Items	Amount Budgeted
Campesino Scholarships	2,200
Support for the Management Training Project and Private Training Institutions	2,200
Training Facility Improvement	600
Total	5,000

b. Improvement of Governmental Policy, Institutional Capabilities and Service Functions

1. Policy Analysis Unit

(a) Problem

The key constraints to achieving sound policies and development plans in the past have included: the lack of inter-institutional coordination, in part resulting from institutional jealousies the lack of a strong coordination mechanism to direct and take advantage of the human resources of different GOB entities and the lack of continuity in policy strategies and measures as a result of political instability.

(b) Project Objectives, Goal and Outputs

The overall goal of the project is to increase Bolivia's economic stability and growth through an improved policy framework in order to assure economic recovery, sound public investments, and encourage new and expanded private productive enterprises.

The purpose of the project is to develop a permanent capability within the GOB to conduct macro-economic and development policy analysis studies and to formulate policy options for the Economic Cabinet (Minister of Finance, Minister of Planning, President of the Central Bank). The Policy Analysis Unit, created under the Policy Reform Project (511-0571) and supported by both the completed and proposed Title III Programs, will continue to identify and undertake thorough analyses of policy alternatives which can address problems identified by the GOB's Economic Cabinet. Its staff will also be capable of providing GOB economic decision makers with information and analyses required to support decisions which must be made on a day-to-day basis.

The project's outputs include: (1) 35 analytical studies on policies relating to the management of the domestic economy, marketing and pricing, and industrial development; (2) the establishment of an information gathering, storage and distribution system within the Policy Analysis Unit; and (3) the formalization of a mechanism for disseminating analytical findings of completed analyses to policy making officials and relevant private sector groups.

(c) Project Implementation

The project will be implemented by the Policy Analysis Unit which operates under the direction of the GOB's Economic Cabinet. The highest priority macro-economic problem areas to be addressed are those which have traditionally plagued the country and are the basic causes of the existing economic crisis. These include: chronic fiscal deficits, monetary policies, interest rates, agricultural price controls, and exchange restrictions on exports. During the life-of-project, the Policy Analysis Unit will carry out short and medium-term studies in five principal areas: international and domestic macro-economics, marketing and pricing, industrial development and agro-industry, and agriculture and rural development.

The Title III Program will provide local currency which will pay operating costs of the Policy Analysis Unit. These costs may include: salaries of permanent personnel, office space, short-term in-country technical assistance, travel and per diem, materials, equipment, and supplies. These Title III funds will be complemented by dollars from USAID's Policy Reform Project which will pay for U.S. and third country technical assistance and other dollar denominated costs.

(d) Financial Plan (In Thousand of U.S. Dollars)

Budget Items	Amount Budgeted
Personnel	500
Materials, Equipment and Supplies	200
Travel, Per Diem and Other Operating Costs	300
Total	1,000

10. Productive Infrastructure

(a) Problem

Bolivia is one of the least developed countries in the western hemisphere. It is also one of the more difficult countries to develop because it is landlocked, mountainous and relatively large (about the size of all of Central America combined). Until a network of roads, electric power lines, training facilities, potable water systems, and other types of economic and social infrastructure are present, Bolivia's agricultural and economic development will continue at a slow pace.

(b) Project Objectives, Goal and Outputs

The objective of this project is to contribute to providing infrastructure which will help improve the productivity and quality of life in rural communities. Priority will be given to construction and improvement of roads which link isolated rural communities to the existing trunk road network and road improvements which will open isolated, but potentially productive, lowland areas. Importance will also be given to water management systems. Funds will be used to finance small and medium scale irrigation systems, river defense works, well drilling, and potable water systems. The goal of this project is to improve the productivity, health, employment opportunities and income of rural families by financing investments in economic and social infrastructure. During the life-of-project, 40 small infrastructure projects will be financed which will directly benefit over 4,000 rural families.

(c) Project Implementation

Infrastructure projects may be presented to the Executive Secretariat by the Departmental Development Corporations, communities, private voluntary organizations, banks, cooperatives, producers' associations, GOB offices, or other groups. Projects (e.g. irrigation projects) which will have a direct and important impact on the income of individuals or specific groups in a community may be financed on a loan basis. Projects which will have broad positive impacts on the community's health and well-being or will benefit the entire community indirectly, such as road improvements, bridges, or potable water systems, will generally be financed as grants. Environmental impact assessments will be required for road, water management, and other infrastructure projects financed with Title III funds.

(d) <u>Financial Plan</u> (In Thousands of U.S. Dollars)

Budget Items	Amount Budgeted
Roads and Road Improvements	5,000
Water Management Systems	4,000
Other Infrastructure Projects	2,000
Total	11,000

11. <u>Control of Communicable Diseases</u>

(a) <u>Problem</u>

Communicable diseases, including diarrheas, respiratory ailments, measles, polio, tetanus, and parasites continue to be the major causes of death among Bolivian children and of debilitating illness among the adult population. Most of these diseases are preventable with modern technologies or are treatable. The Bolivian Ministry of Social Welfare and Public Health, with technical assistance from the World Health Organization and UNICEF, has developed programs for the surveillance, prevention and treatment of such diseases. The Ministry's health system extends services to remote rural areas as well as to major urban centers. As in most developing countries, to carry out these programs effectively, the Ministry requires additional funding.

b. Project Objectives, Goal and Outputs

The objective of this project is to assist the Ministry of Social Welfare and Public Health to maintain its disease control and surveillance activities. The goal is to reduce the incidence of such diseases as malaria, yellow fever, tuberculosis, other immunizable diseases, and deaths from diarrheas. During the life-of-project, over 170,000 homes will be sprayed annually to eliminate mosquitoes which carry malaria and yellow fever. Biological elements will be used to eliminate mosquito larvae; mosquito breeding areas will be eliminated; and larvaecides will be applied. Blood samples from 80,000 persons annually will be collected in malarious areas to identify cases. The project will support the immunization of 280,000 children annually against polio, measles, diphtheria, pertussis, tetanus, and tuberculosis. The immunization system will be improved, and public education, especially in the rural areas, will emphasize the importance of immunizing Bolivia's children. Tuberculosis cases will be reduced from 330 per 100,000 population to 200 per 100,000, by emphasizing case-finding activities and both long and short duration treatment. The project will also provide health education regarding tuberculosis.

Diarrhea and malnutrition now account for about 50% of infant mortality, which in Bolivia is over 200 per every 1,000 live births. The project will seek to reduce this by at least 15% by continuing to support the Oral Rehydration Therapy program the Ministry has developed with UNICEF and the World Health Organization. Throughout the country, even in the most remote areas, oral rehydration therapy will be provided through Oral Rehydration Units within existing Ministry outlets. Epidemiologic surveillance activities will identify cases and outbreaks, as well as assist in targeting the program. Improved environmental sanitation targeted to the control of diarrhea is another strategic area.

In support of these technical activities, the project will provide limited remodeling of certain Ministry facilities. Training courses through schools of public health will be extended to mid and high-level technicians. Limited opportunities will be offered for professionals to attend training courses abroad with dollars which will be made available by the Central Bank.

(c) Project Implementation

Project activities will be implemented by the Ministry of Social Welfare and Public Health which has been implementing these programs since 1979 with P.L. 480 Title III financial assistance.

(d) Financial Plan (In Thousands of U.S. Dollars)

Budget Items	Amount Budgeted
Malaria Control Program	3,000
Immunization Program	1,500
Yellow Fever Control Program	800
Tuberculosis Control Program	1,000
Diarrhea Control Program	1,000
Infrastructure and Training	700
Total	8,000

12. Institutional Development

(a) Problem

Given the severe economic crisis which Bolivia is experiencing and the accompanying reductions in tax revenues, the GOB has been forced to reduce its budget as much as possible. One of the consequences of this situation is that the entire public sector is suffering a severe shortage of operating expenses. This situation is causing problems with many USAID projects, which would benefit significantly from a relatively small amount of selectively targeted Title III funds.

(b) Project Objectives, Goal and Outputs

The objective of this project is to improve the project implementation capability of the GOB by targeting training, technical assistance, materials, equipment, and, in a few special cases, budgetary support to key GOB institutions. The goal of this project is to increase the employment opportunities and earning capacity of low-income rural and urban families who are the beneficiaries of USAID's development projects. Outputs which may be expected from this project include the following:

1) The National Controller General's Office will adopt ex-post auditing procedures to replace the ex-ante procedures which have been used in the past. In support of this output, Title III funds will be used to provide technical assistance and training for over 100 Controller General employees. This modification of procedures is expected to greatly facilitate implementation of development projects throughout Bolivia.

2) The Bolivian Treasury will improve its procedures for keeping track of loan repayment dates as a result of receiving technical assistance, equipment, or materials needed to improve existing loan repayment systems.

3) The Department of Coordination and Project Control (DCCP) of the Ministry of Finance which has responsibility for the central accounting of all international loans contracted by the GOB, will expand the number of site

visits made to P.L. 480 projects and subprojects in order to monitor progress and assure that subproject accounting records are accurate and up to date. Where necessary, DCCP technicians will provide training for personnel responsible for implementing subprojects that will allow local project managers to comply with existing accounting requirements. P.L. 480 funds will be used to provide budgetary support to the DCCP that will enable this office to assist USAID and the Secretariat to maintain the high level of financial control which has characterized the Bolivian Title III Program since its beginning.

4) The Ministry of Finance will improve its implementation of the pari passu budget system which was implemented by USAID this year. Title III funds will be used to provide technical assistance, computer equipment or supplies which are needed to accomplish this output.

(c) Project Implementation

Offices which will receive this assistance will be selected based upon their importance to the USAID program. Institutions which have been tentatively identified to receive assistance under this project are the Bolivian Treasury, the Ministry of Finance and the National Controller General's office. The decision to extend this assistance to additional GOB entities will be made on a case by case basis.

(d) Financial Plan (In Thousands of U.S. Dollars)

Budget Items	Amount Budgeted
Training	750
Equipment and Supplies	750
Technical Assistance	750
Budgetary Support	750
Total	3,000

13. Rural Development Projects

(a) Problem

Bolivia suffers from a top heavy, inefficient government bureaucracy based in La Paz. This bureaucracy has often slowed and occasionally stopped development efforts throughout the country. Given this situation, USAID has been trying (with limited success) to decentralize development projects in order to enhance the probability of their success. One of the successes achieved to date has been the creation and survival of the Departmental Development Corporations (DDCs - one in each of Bolivia's nine Departments). As regional entities, the DDCs are both aware of, and responsive to, regional needs and problems.

(b) Project Objectives, Goal and Outputs

The objective of this project is to continue the highly successful Departmental Development Corporations project that was begun with the 1978 Title III Agreement and to expand this project to include PVOs, regional GOB offices and other decentralized agencies. The project will continue to provide technical assistance in the areas of planning, project identification, and project analysis capability, to decentralized private and public agencies and will also continue to provide funds needed to finance rural development subprojects that benefit small farmers. In addition, the project will support subprojects that benefit low-income urban families. Project funds will be used for subprojects which improve marketing opportunities, decrease the cost of agricultural inputs, provide incentives to expand land utilization, introduce productive technology to small farmers, assist private agro-industries that generate employment and/or income opportunities for rural and/or urban poor, or

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improve the welfare of the rural and/or urban poor. The goal of this project is to increase the productivity, employment, welfare, and/or income of Bolivia's poor majority.

Over the funding period, 25 subprojects will be identified and implemented by the DDCs and other decentralized agencies. These subprojects will be important to the development of the Department in which they are located and will each have positive impacts on the income, employment and/or welfare of poor rural and urban families. It is estimated that up to 10,000 families will receive direct benefits from these 25 subprojects.

(c) Project Implementation

Subprojects will be identified, analyzed and approved by the DDCs, PVOs, regional GOB offices or other decentralized agencies, before being forwarded to P.L. 480 for approval. The Executive Secretariat will provide technical assistance and training to personnel from decentralized agencies in the areas of planning, project identification and project analysis methodologies in order to minimize the number of projects which have to be returned to the preparing entity because they are not eligible for P.L. 480 financing. Disbursements for subprojects will be channeled through a bank or directly through the decentralized agency which presents the subproject to the Secretariat. When projects are presented which require both dollar and peso financing, P.L. 480 pesos may be combined with dollars from USAID's Departmental Development Corporations Loan.

As has been the case with all Title III projects in the past, any subproject presented to the Executive Secretariat must demonstrate that at least 25% of the total costs are being provided by local firms, institutions or individuals who are participating with development or implementation of the subproject.

(d) Financial Plan (In Thousands of U.S. Dollars)

Budget Items		Amount Budgeted
Technical Assistance, Training and Support		500
Subprojects		6,500
	Total	7,000

14. Renewable Natural Resource Planning and Management

(a) Problem

The appropriate and productive use of Bolivia's renewable natural resources, and particularly of those within the piedmont and lowland portions of the La Paz-Cochabamba-Santa Cruz Development Corridor, require suitable information and appropriate management/use programs. The current situation is characterized by a lack of good information, very haphazard land use planning and the increasing degradation of the areas' productive potential. Hillside cultivation, over-grazing, unrestricted logging, slash and burn practices, inappropriate farming practices and systems, and penetration of farmers, hunters and loggers into forest reserves, parks and biological reserve areas constitute a major threat to sustained agriculture and livestock production, hydroelectric and watershed productivity and to unique or special natural areas. Existing government programs to deal with and help avoid such problems are small, weak or non-existent, even though rural communities have shown themselves to be interested in, and willing to work with, activities focusing on reforestation, river defenses, erosion control and yield sustaining soil management practices.

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(b) Project Objectives, Goal and Outputs

This project will finance natural resource planning or land management subprojects which may be presented and implemented by the central government, decentralized or regional public entities, PVOs, private environmental groups or rural communities. These subprojects may cover a wide range of activities which contribute toward improved natural resource use policies or practices. Examples of the types of activities which may be funded include the following: (1) natural resource planning, coordination, data collection or analysis activities; (2) activities which support the preparation of natural resource-related legal or legislative documents; (3) activities which increase public awareness of natural resource issues; and (4) activities such as supervision, implementation or evaluation of natural resource projects.

The goal is to ensure the appropriate and sustained productive use of Bolivia's renewable natural resources. The subprojects funded under this project will: (1) provide a uniform land use capability planning and programming base for key Bolivian development agencies (e.g. DDCs, Ministry of Planning, National Colonization Institute, Bolivian Forestry Development Center, Bolivian Agricultural Technology Institute); (2) generate a measurable increase in public awareness and knowledge of environmental protection and management issues; (3) substantially increase the number and coverage of community and area resource management and protection projects; (4) improve the legal and policy base for better natural resource utilization; (5) provide for the protection of priority national parks, biological reserves and wild land areas; and (6) generate increased public participation in environmental activities.

(c) Project Implementation

The project will selectively work with both public and private entities to carry out assessments, projects and education activities. These include the DDCs, the Soil Rehabilitation Program of Tarija (PERTT), the Forestry Chamber, the Interinstitutional Environmental Committee (CIMA), selected wood product producers, CARE and other international or national PVOs, and various production programs which incorporate resource management components. Funding proposals will be submitted by interested executing agencies to the Title III Executive Secretariat, where they will be reviewed in terms of their technological appropriateness, insitutional and social soundness, financial feasibility and implementation prospects, as well as for their environmental/productive impact, educational outreach, and complementarities with other supportive activities. The largest proportion of funding will go to productive impact projects such as reforestation, soil erosion control, river defenses, and grazing improvement activities. Other funds will be used to collect, analyze and ensure the planning/programming use of critical land use information, provide this information in the appropriate form to policy makers, and finance new educational activities or educational components within on-going resource management programs for public and/or select beneficiary consumption. In the natural areas protection component, project funds may be used as follows: to hire forest guards; to build small residences; to rent, purchase or operate vehicles, boats or horses; and to cover costs associated with area reconnaisance, study and publicity. All funding for activities under this project will be on a grant basis to the implementing organization.

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(d) Financial Plan

Budget Items	Amount Budgeted
Productive Impact Projects	3,000
Data, Planning, Diffusion	400
Protection of Natural Areas	600
Total	4,000

15. Program Administration

The day-to-day management, operation and control of the Food for Development Program is the responsibility of the P.L. 480 Title III Executive Secretariat. The total operating costs of the Secretariat are funded from Title III generations. An illustrative annual budget for the Executive Secretariat's operating expenses is presented below:

Illustrative Annual Program Management Operating Budget

(US$)

Salaries	335,000
Consultants	1,000
Office Rent	15,000
Utilities and Telephone	1,500
Office Supplies	15,000
In-Country Travel	18,000
In-Country Per Diem	77,500
Training	1,500
Foreign Travel & Per Diem	2,000

Miscellaneous Expenses	1,500
Inflation	32,000
Total	500,000
Three-Year Operating Expenses	1,500,000

3. Implementation Mechanisms

a. Wheat Importation and Milling Capacity

The Government of Bolivia is the only authorized importer of wheat in Bolivia. All wheat imports are authorized and controlled by the Ministry of Industry, Commerce and Tourism (MICT). Most wheat imports come to Bolivia via the port of Antofagasta, Chile. The port of Antofagasta can accommodate ships which draw up to 30 feet of water and normally carry a maximum of 27,000 or 28,000 MT of wheat. Wheat is stored at port in large open-air storage areas. Some losses and contamination occur due to the lack of a more sophisticated storage system. Antofagasta's rudimentary storage system has been discussed with GOB officials and they have decided that although the existing system is crude, it is adequate for Bolivia's needs at this time. It should be pointed out that it almost never rains in Antofagasta and that moisture damage is not a significant problem. The port of Antofagasta can accommodate up to 70,000 MT of wheat at one time (roughly 3 shiploads). Wheat is shipped from Antofagasta to Bolivia by rail. Although the officially stated capacity of the railroads is higher, USAID has observed that a practical railroad capacity for wheat movement is 1,200 MT/day (8,400 MT/week). Upon arrival in Bolivia, the GOB transfers the wheat to private millers for processing into flour. These millers have a combined storage capacity of 57,000 MT and can mill Title III wheat into flour at the rate of 2,072 MT per day. The millers sell and distribute flour to retail bakers and wholesalers. The millers deposit revenue from flour sales into a special account in the Central Bank after deducting a commission (established by the MICT) for their milling services. Money in this special account is then used to finance development projects mutually approved by USAID and the P.L. 480 Executive Secretariat.

b. Development Project Administration

The Title III Program is implemented under the overall policy guidance of the GOB Joint Commission for Rural Development (JCRD), which has been established to serve as the GOB's representative for purposes of formally approving aspects of the Program. The JCRD is composed of the Sub-Secretaries of the Ministries of: Finance (Chairman); Industry, Commerce and Tourism; Public Health; Campesino Affairs and Agriculture; and Planning and Coordination. The Commission is responsible for establishing general policy guidelines, implementation plans and programming proposals, and for approving annual reports which are prepared by the JCRD's Executive Secretariat.

Implementation of the Program is carried out by the JCRD's Executive Secretariat. The Executive Secretariat is legally constituted as an autonomous public institution having the power to enter into contracts and to act as its own representative in a legal capacity. The Secretariat is not a project design office per se; rather, it reviews project proposals presented by the Departmental Development Corporations, Government Ministries, and other client institutions. The Executive Secretariat's responsibilities include the following:

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1) planning, directing, coordinating, controlling, monitoring and implementing the Program in close collaboration with USAID;

2) reviewing and analyzing the technical and economic/financial and other aspects of project proposals, or participating with USAID in doing the same, and submitting those found to be acceptable to USAID for approval. Within the limits set out by USAID Implementation Letter, the Secretariat may approve projects with no prior USAID concurrence;

3) maintaining up-to-date, complete and accurate accounting records and controls for the FFD Program, reviewing and helping to strengthen accounting at the subproject level, and providing, upon request, project and Program financial status information to the Joint Commission and USAID;

4) coordinating contacts between executing agencies, the Ministry of Finance's Department of Coordination and Project Control (DCCP), USAID, and the Joint Commission;

5) preparing and submitting shipment and financial reports as well as a draft of the Title III Program's Annual Report, for Joint Commission approval; giving an overview of progress achieved to date, a comparison of goals and achievements, an accounting of the use of funds, an accounting of funds available for future uses, and recommendations for modifying and improving the FFD program;

6) designing and testing methodologies for monitoring and evaluating projects, and then transferring these methodologies to entities in charge of project implementation;

7) monitoring of project and subproject implementation progress and initiation of corrective actions whenever problems are presented for any of the Program's projects or subprojects; and

8) carrying out other tasks delegated by the Joint Commission.

The operating costs of the Secretariat are financed from Title III-generated local currency.

Official accounting records for the Title III Program are kept by the Department of Coordination and Project Control (DCCP) of the Ministry of Finance. This office is responsible for the central accounting of all international loans contracted by the GOB. The DCCP is also responsible for authorizing dusbursements needed by the FFD Program.

c. Project Approval and Disbursement Procedures

Projects are presented to the Executive Secretariat by the DDCs, public sector offices, ICIs, PVOs and other groups. The Secretariat reviews these projects to verify that they are economically, financially, technically, and socially acceptable and to ensure that they conform to objectives and goals set forth in the Project Agreement. If a project passes this review, it is sent to USAID for a second review and approval. If a project passes USAID's review and approval system, an Implementation Letter is written which formally approves the project and authorizes the GOB to withdraw funds from the Title III special account to begin implementation. Copies of all implementation letters are given to the Executive Secretariat, to the DCCP and to several other offices. The Executive Secretariat then sends a request to the DCCP for an initial disbursement which will allow implementation to begin. The DCCP requires an official request from the Executive Secretariat, a signed implementation letter, and a copy of a study, report or similar documentation which fully describes the project before they can disburse funds from the special account. Subsequent disbursement requests for an approved project are made by the Executive Secretariat when the implementing agency presents receipts and other documentation to the DCCP showing that at least 75% of all previous disbursements have been spent and satisfactorily accounted for.

ANNEX I

DRAFT PROJECT AGREEMENT FOR THE $75 MILLION BOLIVIAN TITLE III

FOOD FOR DEVELOPMENT PROGRAM, FY 1985-1987

The Government of the United States of America and the Government of Bolivia:

Recognizing the desirability of expanding trade in agricultural commodities between the United States of America (hereinafter referred to as the exporting country) and Bolivia (hereinafter referred to as the importing country) and with other friendly countries in a manner that will not displace usual marketings of the exporting country in these commodities or unduly disrupt world prices of agricultural commodities or normal patterns of commercial trade with friendly countries;

Taking into account the importance to developing countries of their efforts to help themselves toward a greater degree of self-reliance, including efforts to meet their problems of food production and population growth;

Recognizing the policy of the exporting country to use its agricultural productivity to combat hunger and malnutrition in the developing countries, to encourage these countries to improve their own agricultural production, and to assist them in their economic development;

Recognizing the determination of the importing country to improve its own production, storage, and distribution of agricultural food products, including the reduction of waste in all stages of food handling;

Desiring to set forth the understandings that will govern the sales of agricultural commodities to the importing country pursuant to Title I of the Agricultural Trade Development and Assistance Act, as amended (hereinafter referred to as the Act), and the measures that the two Governments will take individually and collectively in furthering the above-mentioned policies;

Have agreed as follows:

PART I - GENERAL PROVISIONS

ARTICLE I

A. The Government of the exporting country undertakes to finance the sale of agricultural commodities to purchasers authorized by the Government of the importing country in accordance with the terms and conditions set forth in this Agreement.

B. The financing of the agricultural commodities listed in Part II of this Agreement will be subject to:

1. The issuance by the Government of the exporting country of purchase authorizations and their acceptance by the Government of the importing country;

2. The availability of the specified commodities at the time of exportation.

C. Application for initial purchase authorizations will be made within 90 days after the effective date of this Agreement, and with respect to any additional commodities or amounts of commodities provided for in any supplementary agreement, within 90 days after the effective date of such supplementary agreement. Purchase authorizations shall include provisions relating to the sale and delivery of such commodities, and other relevant matters.

D. Except as may be authorized by the Government of the exporting country, all deliveries of commodities sold under this Agreement shall be made within the supply periods specified in the commodity table in Part II.

E. The value of the total quantity of each commodity covered by the purchase authorizations for a specified type of financing authorized under this Agreement shall not exceed the maximum export market value specified for that commodity and type of financing in Part II. The Government of the exporting country may limit the total value of each commodity to be covered by purchase authorizations for a specified type of financing as price declines or other marketing factors may require, so that the quantities of such commodity sold under a specified type of financing will not substantially exceed the applicable approximate maximum quantity specified in Part II.

F. The Government of the exporting country shall bear the ocean freight differential for commodities the Government of the exporting country requires to be transported in United States flag vessels (approximately 50 per cent by weight of the commodities sold under the Agreement). The ocean freight differential is deemed to be the amount, as determined by the Government of the exporting country, by which the cost of ocean transportation is higher (than would otherwise be the case) by reason of the requirement that the commodities be transported in United States flag vessels. The Government of the importing country shall have no obligation to reimburse the Government of the exporting country for the ocean freight differential borne by the Government of the exporting country.

G. Promptly after contracting for United States flag shipping space to be used for commodities required to be transported in United States flag vessels, and in any event not later than presentation of vessel for loading, the Government of the importing country or the purchasers authorized by it shall open a letter of credit, in United States dollars, for the estimated cost of ocean transportation for such commodities.

H. The financing, sale, and delivery of commodities under this Agreement may be terminated by prior written notice by either Government if that Government determines that because of changed conditions the continuation of such financing, sale, or delivery is unnecessary or undesirable.

ARTICLE II

A. Initial Payment

The Government of the importing country shall pay, or cause to be paid, such initial payment as may be specified in Part II of this Agreement. The amount of this payment shall be that portion of the purchase price (excluding any ocean transportation costs that may be included therein) equal to the percentage specified for initial payment in Part II and payment shall be made in United States dollars in accordance with the applicable purchase authorization.

B. Currency Use Payment

The Government of the importing country shall pay, or cause to be paid, upon demand by the Government of the exporting country in amounts as it may determine, but in any event no later than one year after the final disbursement by the Commodity Credit Corporation under this Agreement, or the end of the supply period, whichever is later, such payment as may be specified in Part II of this Agreement pursuant to Section 103(b) of the Act (hereinafter referred to as the Currency Use Payment). The Currency Use Payment shall be that portion of the amount financed by the exporting country equal to the percentage specified for Currency Use Payment in Part II. Payment shall be made in accordance with paragraph H and for purposes specified in Subsections 104(a), (b), (e), and (h) of the Act, as set forth in Part II of this Agreement. Such payment shall be credited against (a) the amount of each year's interest payment due during the period prior to the due date of the first installment payment, starting with the first year, plus (b) the combined payments of principal and interest starting with the first installment payment, until the value of the Currency Use Payment has been offset. Unless otherwise specified in Part II, no requests for payment will be made by the Government of the exporting country prior to the first disbursement by the Commodity Credit Corporation of the exporting country under this Agreement.

C. Type of Financing

Sales of the commodities specified in Part II shall be financed in accordance with the type of financing indicated therein. Special provisions relating to the sale are also set forth in Part II.

D. Credit Provisions

1. With respect to commodities delivered in each calendar year under this Agreement, the principal of the credit (hereinafter referred to as principal) will consist of the dollar amount disbursed by the Government of the exporting country for the commodities (not including any ocean transportation costs) less any portion of the Initial Payment payable to the Government of the exporting country. The principal shall be paid in accordance with the payment schedule in Part II of this Agreement. The first installment payment shall be due and payable on the date specified in Part II of this Agreement. Subsequent installment payments shall be due and payable at intervals of one year thereafter. Any payment of principal may be made prior to its due date.

2. Interest on the unpaid balance of the principal due the Government of the exporting country for commodities delivered in each calendar year shall be paid as follows:

a. In the case of Dollar Credit, interest shall begin to accrue on the date of last delivery of these commodities in each calendar year. Interest shall be paid not later than the due date of each installment payment of principal, except that if the date of the first installment is more than a year after such date of last delivery, the first payment of interest shall be made not later than the anniversary date of such date of last delivery and theraefter payment of interest shall be made annually and not later than the due date of each installment payment of principal.

b. In the case of Convertible Local Currency Credit, interest shall begin to accrue on the date of dollar disbursement by the Government of the exporting country. Such interest shall be paid annually beginning one year after the date of last delivery of commodities in each calendar year, except that if the installment payments for these commodities are not due on some anniversary of such date of last delivery, any such interest accrued on the due date of the first installment payment shall be due on the same date as the first installment, and thereafter such interest shall be paid on the due dates of the subsequent installment payments.

3. For the period of time from the date the interest begins to the due date for the first installment payment, the interest shall be computed at the initial interest rate specified in Part II of this Agreement. Thereafter, the interest shall be computed at the continuing interest rate specified in Part II of this Agreement.

E. Deposits of Payments

The Government of the importing country shall make, or cause to be made, payments to the Government of the exporting country in the currencies, amounts, and at the exchange rates provided for in this Agreement as follows:

1. Dollar payments shall be remitted to the Treasurer, Commodity Credit Corporation, United States Department of Agriculture, Washington, D.C. 20250, unless another method of payment is agreed upon by the two Governments.

2. Payments in the local currency of the importing country (hereinafter referred to as local currency), shall be deposited to the account of the Government of the United States of America in interest-bearing accounts in banks selected by the Government of the United States of America in the importing country.

F. Sales Proceeds

The total amount of the proceeds accruing to the importing country from the sale of commodities financed under this Agreement, to be applied to the economic development purposes set forth in Part II of this Agreement, shall be not less than the local currency equivalent of the dollar disbursement by the Government of the exporting country in connection with the financing of the commodities (other than the ocean freight differential), provided, however, that the sales proceeds to be so applied shall be reduced by the Currency Use Payment, if any, made by the Government of the importing country. The exchange rate to be used in calculating this local currency equivalent shall be the rate at which the central monetary authority of the importing country, or its authorized agent, sells foreign exchange for local currency in connection with the commercial import of the same commodities. Any such accrued proceeds that are loaned by the Government of the importing country to private or non-governmental organizations shall be loaned at rates of interest approximately equivalent to those charged for comparable loans in the importing country. The Government of the importing country shall furnish, in accordance with its fiscal year budget reporting procedure, at such times as may be requested by the Government of the exporting country but not less often than annually, a report of the receipt and expenditure of the proceeds, certified by the appropriate audit authority of the Government of the importing country, and, in case of expenditures, the budget sector in which they were used.

G. Computations

The computation of the Initial Payment, Currency Use Payment and all payments of principal and interest under this Agreement shall be made in United States dollars.

H. Payments

All payments shall be in United States dollars or, if the Government of the exporting country so elects,

1. The payments shall be made in readily convertible currencies of third countries at a mutually agreed rate of exchange and shall be used by the Government of the exporting country for payment of its obligations or, in the case of Currency Use Payments, used for the purposes set forth in Part II of this Agreement; or

2. The payments shall be made in local currency at the applicable exchange rate specified in Part I, Article III, G of this Agreement in effect on the date of payment and shall, at the option of the Government of the exporting country, be converted to United States dollars at the same rate, or used by the Government of the exporting country for payment of its obligations or, in the case of Currency Use Paments, used for the purposes set forth in Part II of this Agreement in the importing country.

ARTICLE III

A. World Trade

The two Governments shall take maximum precautions to assure that sales of agricultural commodities pursuant to this Agreement will not displace usual marketings of the exporting country in these commodities or unduly disrupt world prices of agricultural commodities or normal patterns of commercial trade with countries the Government of the exporting country considers to be friendly to it (referred to in this Agreement as friendly countries). In implementing this provision the Government of the importing country shall,

1. Ensure that total imports from the exporting country and other friendly countries into the importing country paid for with the resources of the importing country will equal at least the quantities of agricultural commodities as may be specified in the usual marketing table set forth in Part II during each import period specified in the table and during each subsequent comparable period in which commodities financed under this Agreement are being delivered. The imports of commodities to satisfy these usual marketing requirements for each import period shall be in addition to purchases financed under this Agreement;

2. Take steps to assure that the exporting country obtains a fair share of any increase in commercial purchases of agricultural commodities by the importing country;

3. Take all possible measures to prevent the resale, diversion in transit, or transshipment to other countries or the use for other than domestic purposes of the agricultural commodities purchased pursuant to this Agreement (except where such resale, diversion in transit, transshipment or use is specifically approved by the Government of the United States of America);

4. Take all possible measures to prevent the export of any commodity of either domestic or foreign origin, which is defined in Part II of this Agreement, during the export limitation period specified in the export limitation table in Part II (except as may be specified in Part II or where

such export is otherwise specifically approved by the Government of the United States of America).

B. Private Trade

In carrying out the provisions of this Agreement, the two Governments shall seek to assure conditions of commerce permitting private traders to function effectively.

C. Self-Help

Part II describes the program the Government of the importing country is undertaking to improve its production, storage, and distribution of agricultural commodities. The Government of the importing country shall furnish, in such form and at such time as may be requested by the Government of the exporting country, a statement of the progress the Government of the importing country is making in carrying out such self-help measures.

D. Reporting

In addition to any other reports agreed upon by the two Governments, the government of the importing country shall furnish, in such form and at such time as may be requested by the government of the exporting country:

1. A report on the arrival of each shipment of commodities purchased under the agreement which shall include: the name of each vessel; the commodity and quantity received; the discharge port; the date discharge was completed; the condition of the commodity on arrival; any significant loss or damage in transit, and advice of any claim for, recovery of, or reduction of freight charges due to loss or damage in transit on U.S. flag ships;

2. A report covering the supply period specified in Part II, Item II of the agreement and containing: statistical data on imports by country of origin to meet usual marketing requirements specified in Part II, Item III of the

agreement; a statement of the measures taken to implement the provisions of section A, items 3 and 4 of this Article; statistical data on exports by country of destination of commodities the same as or like those imported under the agreement, as specified in Part II, item IV of the agreement; a statement on utilization of commodities imported under the agreement; and a statement of measures taken to implement the publicity of section I of the Article.

E. Procedures for Reconciliation and Adjustment of Accounts

The two Governments shall each establish appropriate procedures to facilitate the reconciliation of their respective records on the amounts financed with respect to the commodities delivered during each calendar year. The Commodity Credit Corporation of the exporting country and the Government of the importing country may make such adjustments in the credit accounts as they mutually decide are appropriate.

F. Definitions

For the purposes of this Agreement:

1. Delivery shall be deemed to have occurred as of the on-board date shown in the ocean bill of lading which has been signed or initialed on behalf of the carrier.

2. Import shall be deemed to have occurred when the commodity has entered the country, and passed through customs, if any, of the importing country.

3. Utilization shall be deemed to have occurred when the commodity is sold to the trade within the importing country without restriction on its use within the country or otherwise distributed to the consumer within the country.

G. Applicable Exchange Rate

For the purposes of this Agreement, the applicable exchange rate for determining the amount of any local currency to be paid to the Government of the exporting country shall be a rate in effect on the date of payment by the importing country which is not less favorable to the Government of the exporting country than the highest exchange rate legally obtainable in the importing country and which is not less favorable to the Government of the exporting country than the highest exchange rate obtainable by any other nation. With respect to local currency:

1. As long as a unitary exchange rate system is maintained by the Government of the importing country, the applicable exchange rate will be the rate at which the central monetary authority of the importing country, or its authorized agent, sells foreign exchange for local currency.

2. If a unitary rate system is not maintained, the applicable rate will be the rate (as mutually agreed by the two Governments) that fulfills the requirements of the first sentence of this Section G.

H. Consultation

The two Governments shall, upon request of either of them, consult regarding any matter arising under this Agreement, including the operation of arrangements carried out pursuant to this Agreement.

I. Identification and Publicity

The Government of the importing country shall undertake such measures as may be mutually agreed, prior to delivery, for the identification of food commodities at points of distribution in the importing country, and for publicity in the same manner as provided for in Subsection 103(1) of the Act.

PART II - PARTICULAR PROVISIONS

I. Commodity Table

Commodity	Supply Period (U.S. Fiscal Year)	Approximate Maximum Quantity (Metric Tons)	Maximum Export Market Value (Millions)
Wheat/Wheat Flour	1985	160,000	US$ 25.0

II. Payment Terms. Convertible Local Currency Credit.

A. Initial Payment - None.

B. Currency Use Payment - None.

C. Currency Use Offset - Up to one hundred percent (100%) of the value of financing provided under this Agreement, plus interest to support the Food for Development Program identified in Item VII below.

D. Number of installment payments - Fifteen (15).

E. Amount of each installment payment - approximately equal annual amounts.

F. Due date of first installment payment - Four (4) years after date of last delivery of commodities in each calendar year.

G. Initial interest rate - Two percent (2%).

H. Continuing interest rate of three percent (3%).

III. Usual Marketing Requirements

Product	Import Period (U.S. Fiscal Year)	Usual Marketing Table
Wheat/Wheat Flour, Grain Equivalent Basis	1985	160 Metric Tons in Each Year

IV. Export Limitations

A. Export Limitations Period - The export limitations period shall be United States fiscal year 1985 or any other US calendar year in which commodities financed under this Agreement are being imported or utilized.

B. Commodities to Which Export Limitations Apply - For the purpose of Part I, Article IIIA(4) of the Agreement, the commodities which may not be exported are: wheat, wheat flour, rolled wheat, semolina, farina, and bulgur (or the same product under a different name).

V. Self-Help Measures

The self-help objectives that will be included in the Title III Agreement are as follows:

A. Establishment of a warrant credit fund or other acceptable mechanism for local wheat production which will allow local wheat to compete on an equal basis with imported wheat. The latter is delivered in bulk quantities to millers who are allowed up to ninety days for processing, marketing and repayment of the wheat.

B. Establishment of a rural development bank, with clear private sector participation, which will provide agricultural credit to small and medium sized farmers.

C. Decentralization and restructuring of the Ministry of Agriculture and Campesino Affairs.

D. Expansion of the National Seed Industry which relies heavily on private sector participation for both the reproduction, processing and sale of improved and certified seeds.

E. Strengthening and expansion of Producers' Associations which include in their membership, and provide services to, small and medium sized farmers or ranchers.

F. Strengthening and expansion of the mixed public/private decentralized agricultural research and extension models such as that employed by the Tropical Agriculture Research Center (CIAT) in Santa Cruz.

G. Increase agricultural credit interest rates and remove control prices for agricultural commodities.

H. Continue to improve agricultural statistics, production monitoring and sector policy formation.

I. Support private sector agroindustrial expansion by facilitating foreign exchange for agroindustrial requirements, expanding investment and export credits and eliminating export barriers.

VI. Economic development purposes for which proceeds accruing to the importing country are to be used:

A. The proceeds accruing to the importing country from the sale of commodities financed under this Agreement will be used for financing the Food for Development Program identified in Item VII, or, to the extent that such proceeds may not be used for such purpose, for financing the self-help measures set forth in Item V above, and for activities in the agriculture and health sectors.

B. In the use of proceeds for these purposes, emphasis will be placed on directly improving the lives of the poorest of the recipient country's people and their capacity to participate in the development of their country.

VII. Food for Development Program to Which Currency Use Offset Applies.

A. Annexes A and B set forth the understandings of the parties concerning the Food for Development Program to be undertaken by the Government of the importing country with the proceeds from the sale of agricultural commodities financed by this Agreement. Notwithstanding the provisions of Item II B of Annex A of this Agreement, the Government of Bolivia agrees to establish a special account in which it will deposit, not later than six calendar months after the date of disbursement by the Commodity Credit Corporation, the proceeds generated from the sale of commodities provided to it for the Food for Development Program set forth in Annex B of this Agreement. In the event of any other inconsistencies between the provisions of Parts I, II, and III of this Agreement and Annexes A and B, such Annexes shall be controlling.

B. Annexes A and B, attached, are incorporated in the Agreement. Annex A is standard language intended to be applicable to all Food for Development Programs; Annex B describes the specific Food for Development Program of the Government of Bolivia.

VIII. Official Price of Wheat

The Government of the importing country pledges, in the event of devaluations, to immediately increase the official price of wheat and wheat flour by at least the same percentage as the rates of devaluations of the Bolivian peso against the United States dollar. Furthermore, the Government of the importing country pledges to reduce the rate of subsidy on wheat and wheat flour to no more than 10% before the arrival of the first shipment of wheat or wheat flour in the importing country and to no more than zero percent before the arrival of the second shipment of wheat or wheat flour in the importing country. The rates of subsidy have been determined on the basis of the average cost of imported wheat and wheat flour, CIF Bolivia.

PART III - FINAL PROVISIONS

I. Termination.

This Agreement may be terminated by either Government by prior written notice of termination to the other Government for any reason, and by the Government of the exporting country if it should determine that the self-help program described in the Agreement is not being adequately developed. Such termination will not reduce any financial obligations the Government of the importing country has incurred as of the date of termination.

II. Effective Date.

This Agreement shall enter into force upon signature.

III. Official Language.

In the event of discrepancy between the English and Spanish versions of this Agreement, the English will prevail.

IN WITNESS WHEREOF, the respective representatives, duly authorized for the purpose, have signed the present Agreement. DONE at La Paz, Bolivia, in duplicate, this ______________________________

FOR THE GOVERNMENT OF THE UNITED STATES OF AMERICA

______________________ ______________________

Por/By: Edwin G. Corr

Title: United States Ambassador to Bolivia

By: Dr. Gustavo Fernandez

Title: Minister of Foreign Affairs and Worship

ANNEX A

FOOD FOR DEVELOPMENT PROGRAM

The Government of the exporting country and the Government of the importing country:

Recognizing the policy of the exporting country to use its agricultural productivity in a manner which will establish a strong relationship between food assistance and efforts by the importing country to increase the availability of food for the poor, and to improve in other ways the quality of their lives; and

Having agreed upon a proposal for the intended use of commodities or funds generated from the sale of such commodities to increase the access of the poor in the importing country to a growing and improving food supply through activities designed to improve the production, protection, and utilization of food, and to increase the well-being of the poor in the rural sector of the importing country; and

Desiring to set forth the understandings that will govern the sale of agricultural commodities in the importing country in order to carry out the above-mentioned proposal pursuant to the authority of the Agricultural Trade Development and Assistance Act of 1954, as amended (hereinafter referred to as the Act), and the measures the two governments will undertake to further the above-mentioned policies;

Agree as follows:

Item I. Responsibilities of the Government of the Exporting Country

A. Subject to the availability of funds and commodities, the Government of the exporting country agrees to furnish credit under authority of Title I of the Act to the Government of the importing country for the purchase of agricultural commodities over the life of the Food for Development Program as set forth in Annex B of this Agreement.

B. On receipt of satisfactory evidence of disbursements from the special account for eligible uses by the Government of the importing country, described below, for the projects and/or programs described in Annex B, the Government of the exporting country will apply such disbursements against the Title I payment obligation incurred under this Agreement as set forth in Items II and III below.

Item II. Responsibilities of the Government of the Importing Country

A. The Government of the importing country agrees to carry out the program detailed in Annex B. In carrying out such program, the Government of the importing country agrees that it will:

1. Use the total amount of the proceeds generated from the sale of agricultural commodities financed under this Agreement to finance the development activities specified in Annex B.

2. Submit on or before November 1 of each year during the period of this Agreement a comprehensive report to the Government of the exporting country on the activities and progress achieved under the Food for Development Program, for the United States Fiscal Year ending September 30, including, but not limited to, a comparison of results with project targets, a specific accounting for funds generated, their uses, the outstanding balances at the

end of the most recent fiscal year, and any recommendations of the Government of the importing country for modification and improvement of the Food for Development Program.

3. Maintain adequate records for not less than three (3) years after completion of the Program to permit review and audit by the Government of the exporting country of measures taken to implement the Food for Development Program.

B. The Government of the importing country agrees to establish a Special Account in which it will deposit, no later than 180 calendar days after the date of disbursement by the Commodity Credit Corporation, the proceeds generated from the sale of commodities provided to it for the Food for Development Program set forth in Annex B of the Agreement.

Item III. <u>Credit for Title I Loan Indebtedness</u>

The Governments of the exporting and importing countries agree that:

A. The dollar equivalent of local currency deposited for eligible uses identified in Annex B shall be calculated at the exchange rate in effect at the time the local currency was deposited in the Special Account. The dollar equivalent of local currency deposited for the eligible uses identified in Annex B shall be credited as payment for the purpose of Part I, Article II H of this Agreement against (1) the amount of each year's interest payment due during the period prior to the due date of the first installment payment, starting with the first year, plus (2) the combined payments of principal and interest starting with the first installment payment until the value of the local currencies disbursed has been offset.

B. Deposits of funds into the Special Account for purposes set forth in the Agreement in an amount equivalent to the dollar value of the credit furnished by the Government of the exporting country under the Agreement shall be deemed to be payment of all installments of principal and interest payable thereon for the commodities purchased by the Government of the importing country pursuant to the Agreement.

C. For the period during which deposits are made in accordance with paragraph A, above, the Government of the importing country will furnish the Government of the exporting country with a quarterly report of the deposits and disbursements made, certified by the appropriate audit authority of the Government of the importing country, and a description of the activities for which the deposits were made.

D. Not less than 60 days before the first Title I loan installment becomes due under the terms of Part II, Item II of this Agreement, and annually thereafter, as may be appropriate, the Government of the exporting country will provide a schedule of amounts deposited into the Special Account, showing application to Title I payment obligation.

E. The Government of the exporting country reserves the right to review use of deposits and to determine eligibility for application against Title I payment obligations under this Agreement. If the Government of the exporting country determines that a deposit was applied to an ineligible use, notice of such ineligibility shall be given by the Government of the exporting country to the Government of the importing country, and the two Governments shall, upon request of either, consult regarding such ineligibility. If the notice of ineligibility is not rescinded by the Government of the exporting country within 90 days of receipt of such notice by the Government of the importing country, deposits applied to ineligible uses shall not be applied to the indebtedness, and, at the option of the Government of the exporting country, the equivalent amount shall be restored to the Special Account. To the extent that any deposits applied to ineligible uses were previously applied by the Government of the exporting country against the Title I payment obligation, such application will be cancelled.

F. The Government of the exporting country shall nave the right at reasonable times to inspect projects, and inspect and audit records, procedures, and methods pertaining to the deposits and applications made from the Special Account.

G. If currencies remain in the Special Account after completion of the program set forth in Annex B, the Government of the importing country shall use the remaining currencies for such economic development purposes as the two Governments may agree.

H. Annually, at such time as the two Governments may agree, representatives of the parties will meet in a place mutually agreed upon, to discuss and review the progress of the Food for Development Program, to consider modifications and improvements, and to determine the amounts and kinds of commodities to be financed under this Agreement during that year of the Food for Development Program.

Item IV. Implementation of the Food for Development Program

A. The Food for Development Program, which is further described in Annex B, will consist of activities designed to strengthen the production and productivity of the private sector of the importing country, to improve the importing country's capability to analyze and select appropriate economic and development policies, and to help the importing country strengthen essential public services. Activities which are designed to strengthen the private sector include the following: provision of agroindustrial credits to small and medium enterprises; support for producers' associations; provision of agricultural and livestock production and marketing credits for small farmers; improvement of wheat production and marketing systems; promotion of private or mixed public and private agricultural research and extension systems; assistance to private sector firms that produce products which improve the health or nutrition of the poor majority; financing for feasibility studies; and assistance to private training institutions. Policy analysis and selection assistance is provided by the Policy Analysis Unit activity. Activities which help provide essential public services include: credits for productive infrastructure; control of communicable diseases; institutional development for key GOB institutions; financing for rural development projects to be implemented by decentralized institutions, and support for natural resource planning, management and protection activities. Annex B amplifies the above description of the Food for Development Program.

B. From time to time, the parties may use jointly agreed upon Implementation Letters to confirm and record their mututal understanding on aspects of the implementation of this Agreement. Implementation Letters will not be used to amend the text of this Agreement but can be used to record revisions or exceptions which are permitted by the Agreement.

C. For the purposes of negotiating and executing Implementation Letters, the Government of the importing country will be represented by the individual holding or acting in the Office of the Executive Director of the Title III Executive Secretariat, and the Government of the exporting country will be represented by the individual holding or acting in the Office of the USAID/Bolivia Mission Director, each of whom, by written notice, may designate additional representatives. Each party will provide the other party with the names of its representatives and their specimen signatures, and may accept as duly authorized any Implementation Letter signed by any one of such representatives of the other party prior to receipt of written notice of revocation of their authority.

Item V. Suspension of the Agreement

The Government of the exporting country shall annually review the performance and implementation of this Agreement by the Government of the importing country. If the Government of the exporting country finds that the provisions of this Agreement are not being substantially met, upon prior written notice to the Government of the importing country, no further financing under this Agreement shall be extended until the end of the following United States fiscal year or until the situation is remedied, whichever occurs first, unless the failure to meet the provisions is due to unusual circumstances beyond the control of the Government of the importing country.

ANNEX B

PROGRAM DESCRIPTION

I. GOVERNMENT OF BOLIVIA POLICY COMMITMENTS

A. In order to assure that the efforts to be financed under the Program will, in fact, be additional to those that Bolivia is presently undertaking, the Government of Bolivia agrees:

1. That in order to improve planning, coordinating and implementation between the Ministry of Campesino Affairs and Agriculture (MACA) and its decentralized autonomous institutions and projects, MACA will restructure and decentralize its operations. This restructuring of the Ministry of Agriculture will include the following major institutions and service areas within the sector: the central offices of the Ministry of Agriculture in La Paz and in each of the Departments, the Bolivian Institute of Agricultural Technology, Forestry Department Service, National Colonization Institute, National Community Development Service, Agrarian Reform Council, Integrated Rural Development Projects and the Bolivian Agricultural Bank.

2. As part of the first annual review of the FFD program following the effective date of the signing of this Agreement (or earlier by mutual agreement), the GOB agrees to review progress of the restructuring program with AID, and to incorporate specific goals and objectives based on these recommendations as benchmarks for future annual reviews of the FFD program.

B. In order to assure that wheat imported to finance this Food for Development Program will not have an adverse effect on Bolivia's wheat producers or Bolivia's wheat production, the Government of Bolivia agrees:

1. That the floor price for locally produced wheat will be revised every three months to ensure that it is not lower than the CIF La Paz price of imported wheat;

2. That all of Bolivia's domestically produced wheat of acceptable quality for milling will be purchased by private millers or through wheat collection centers without inordinate delay and at the established price;

3. To take appropriate measures to improve and increase the production of wheat seed appropriate for producing wheat for milling into flour and production of bread as part of the National Seed Program; and

4. The Government of Bolivia covenants that, prior to the sale of wheat imported under this Agreement, prices will be fixed at a minimum which will reflect actual domestic production costs for wheat. The Government of Bolivia also agrees to readjust wheat prices on a regular basis so that such prices do not fall below the established domestic cost of production as determined by the Ministry of Industry, Commerce and Tourism in consultation with producer representatives and USAID.

II. SUMMARY PROGRAM DESCRIPTION

A. Program Budget

Subject to the availability of funds and commodities, the Government of the exporting country agrees to provide, over a three year period, up to $75 million in credit for commodities pursuant to the conditions described elsewhere in this agreement. The summary budget for the Food for Development Program is presented in Table B.I.

B. Specific Project Descriptions

The Government of the importing country agrees to carry out project activities which are in agreement with the objectives and parameters of the projects described below. These descriptions are general in nature and are used to indicate the types of projects which will be eligible for assistance under each of the financing lines identified for each project. More detailed descriptions of what exactly will be achieved under each financing line will

TABLE B I

Proposed Financing Lines for the $ 75 Million,

FY 1985-1987, PL 480 Title III Program

	Projects	Proposed Funding Level ($ 000)
A.	Strengthening of the Private Sector	39,500
	1. Agroindustrial Credits to Small and Medium Enterprises	7,000
	2. Strengthening of Producers' Associations	5,500
	3. Small Farmer Agricultural and Livestock Production and Marketing Credit	12,000
	4. Wheat Production and Marketing	3,000
	5. Support to Research and Extension Systems	2,500
	6. Private Health and Nutrition Projects	2,000
	7. Pre-investment Studies	2,500
	8. Training	5,000
B.	Improvement of Governmental Policy, Institutional Capabilities and Service Functions	35,500
	9. Policy Analysis Unit	1,000
	10. Productive Infrastructure	11,000
	11. Control of Communicable Diseases	8,000
	12. Institutional Development	3,000
	13. Rural Development Projects	7,000
	14. Renewable Natural Resource Planning and Management	4,000
	15. Program Administration	1,500
	Total	75,000

be contained in the subproject proposals which will first be reviewed by the Executive Secretariat and are subsequently submitted to USAID for review and approval. USAID will use Implementation Letters to approve these projects. Any later refinements or changes in these projects or more detailed information on the objectives, implementation plans or budgets of these projects will also be mutually agreed to by USAID and the Government of Bolivia through Implementation Letters.

The FY 85-87 Title III Program will consist of 15 projects which fall into two major categories. The first category contains projects whose primary purpose is to strengthen the private sector or to use private sector groups or institutions as vehicles for achievement of development objectives. The second category includes projects which are designed to improve government policies, institutional capabilities, provision of public services or project implementation capacity.

II. C. Projects to Strengthen the Private Sector.

1. Agroindustrial and Artisanry Credits to Small and Medium Enterprises, $7.0 Million

This project will provide agroindustrial and artisanry credits and organizational assistance to small and medium-sized agro-processing, agro-input manufacturing and artisanry enterprises which have clear economic linkages to Bolivia's small-to-medium-sized commercial rural producers. Loans and technical assistance will be provided to qualifying private firms and cooperatives. Loan funds may be used to finance equipment, construction of physical facilities, operating costs, training or raw materials. The project will help Bolivia's poor majority by providing additional employment opportunities, expanded markets, and increased family incomes.

FINANCIAL PLAN

(In Thousands of U.S. Dollars)

Financing Lines	Amount Budgeted
Agroindustrial and Artisanry Loans	6,250
Technical Assistance	750
Total	7,000

2. Strengthening of Producers' Associations, $ 5.5 Million

This project will provide organizational, management, technical and start-up assistance to producers' associations so that they can provide expanded marketing, technical or input services to their members. The project will provide both loans and grants to producers' associations. Loans will be provided to associations for the purpose of purchasing, selling or distributing inputs or products or for other types of productive, profitable undertakings. Grants will be approved which provide technical assistance or training to an association or which improve the association's infrastructure and ability to provide effective services to its membership. Small and medium sized farmers will realize higher prices for their produce and will pay lower prices for their inputs as a result of being members of producers' associations. They should also receive technical assistance services which will allow them to increase their productivity, production and family incomes.

FINANCIAL PLAN

(In Thousands of U.S. Dollars)

Financing Lines	Amount Budgeted
Marketing and Productive Service Loans	4,000
Institutional Development Grants	1,500
Total	5,500

3. <u>Small Farmer Agricultural and Livestock Production and Marketing Credit, $ 12.0 Million</u>

This project will increase the availability of agricultural and livestock production and marketing credit for small and medium-sized producers. Credit will be channeled through qualifying cooperatives, producers' associations, private voluntary organizations, Departmental Development Corporations and private banks (several of which have recently established development credit departments). Roughly one half of this credit will have a maximum term of 6-12 months and will be used for annual crop production; the remainder will be available for longer-term investments (2-5 years) in perennial crops, machinery, productive farm infrastructure, small producer livestock improvement, marketing or inventory needs. Interest rates to the lenders will be consistent with the highest allowable rates established by the Bolivian Central Bank for agricultural credit. To the extent that lenders wish to index credit to borrowers as a means of preserving capital in the face of high inflation, this will be allowable. Small and medium-sized producers will, through this project, have access to credit which is needed for adoption of production enhancing technologies and other income increasing activities.

<u>FINANCIAL PLAN</u>

(In Thousands of U.S. Dollars,

Financing Lines	Amount Budgeted
Annual Crops	5,500
Perennial Crops and Productive Infrastructure	2,500
Sheep, Llama and Alpaca Production	1,000
Other Livestock Production	1,000

Marketing	1,800
Credit Evaluation, Studies, Analyses	200
Total	12,000

4. Wheat Production and Marketing, $3.0 Million

This project will support private sector activities which will alleviate the following major wheat production and marketing contraints: 1) shortage of improved seed; 2) lack of marketing credits; 3) extremely low local prices; and 4) lack of experience with high yield wheat production technology. Assistance will be channeled principally through the National Asssociation of Oil Seed Producers (ANAPO) or other wheat producer organizations to existing Regional Seed Councils in wheat growing areas. ANAPO has been indicated to work with the Regional Seed Councils because many soybean producers are also wheat producers and are therefore affiliated with ANAPO. This project will benefit producers by increasing their productivity, production and prices for wheat. The country as a whole will benefit from this project by realizing foreign exchange savings given that the amount of wheat grown locally will be increased which will reduce the heretofore widening gap between local production and imports.

FINANCIAL PLAN
(In Thousands of U.S. Dollars)

Financing Lines	Amount Budgeted
Seed Council Equipment, TA, Materials, Operating Costs	500
Seed Processing Equipment or Infrastructure	500
Seed Marketing System Financing	2,000
Total	3,000

5. Support to Research and Extension Systems, $ 2.5 Million

This project will help strengthen existing and form new private or mixed public-private based research and extension systems based on the highly client directed and supported model provided by the Tropical Agriculture Research Center (CIAT) which was developed in Santa Cruz. Groups or firms interested in establishing or strengthening technical assistance programs which are based upon farmers' needs and with interest in doing adaptive applied research will be eligible for loan and/or grant support under this project. Concessional loan funds will be used to purchase start-up capital goods and assist with initial operational expenses. Grant funds will be available for technical assistance and training. All groups or firms which apply for assistance will be required to demonstrate: (1) how they intend to achieve self-financing over a period of 2-3 years, (2) that they will have active farmer participation and (3) that they will be able to increase production in their areas of influence significantly. Farmers will benefit from this project by receiving useful technical information that will allow them to increase their productivity, production and family incomes.

FINANCIAL PLAN
(In Thousands of U.S. Dollars)

Financing Lines	Amount Budgeted
Loan Fund for Capital Goods and Operational Support	2,000
Grant Funds for Technical Assistance and Training	500
Total	2,500

6. Private Sector Health and Nutrition Projects, $ 2.0 Million

This project will seek to reduce malnutrition and other health problems of the rural poor by financing loans to private firms, PVOs and other organizations, which will enable these groups to produce products which will have positive impacts on the health or nutritional status of the urban and rural poor. It will also support the Ministry of Health's Oral Rehydration Therapy (ORT) Program and will provide training for health sector personnel. The rural poor will benefit from this project by being given access to these new products. Products which might be financed by this project are: local production, distribution and sale of oral rehydration salts; infant scales; weaning foods; and iodized salt.

FINANCIAL PLAN

(In Thousands of U.S. Dollars)

Financing Lines	Amount Budgeted
Loan Funds	1,250
Private Sector Health, Nutrition Interventions	750
Total	2,000

7. Pre-Investment Studies, $ 2.5 Million

This project will finance preparation of feasibility studies or the cost of preparing project evaluation forms which are sometimes used in place of feasibility studies. For projects which are shown to be feasible, the cost of the study will be repaid as a loan. If the study shows a project to be infeasible, the interested party can pay back the full cost within 30 days and avoid interest charges. Otherwise, it will be considered a short-term loan and bear an appropriate interest charge. This project will assist small firms, artisans, cooperatives, producers' associations, and communities which have good project ideas, but are unfamiliar with project presentation and evaluation methodologies. The studies which are shown to be feasible will be eligible for financing by the Title III Program and will result in increased employment, productivity and income for Bolivia's poor majority. This project will also finance preparation of audits, evaluations and other studies which are of importance to the GOB, the Executive Secretariat, or to USAID/Bolivia.

FINANCIAL PLAN

(In Thousands of U.S. Dollars)

Financing Lines	Amount Budgeted
Preparation of Feasibility Studies or Project Evaluation Forms	2,000
Other Studies, Audits, Evaluations	500
Total	2,500

8. Training, $5.0 Million

This project will continue the highly successful Campesino Scholarship Program begun under the 1978 Title III Agreement. It will also offer educational opportunities to urban and rural students who wish to receive vocational/technical training or training in the areas of business management, marketing, inventory controls, product design, quality control, personnel management and related topics. The Campesino Scholarship Program will continue to be implemented by private schools located throughout Bolivia. Fourteen schools participate in this program at present and provide scholarships to over 600 students per year. The vocational/technical and business training will be implemented by a private educational institute which will be funded by USAID/Bolivia's Management Training Project. A small amount of funding will be available for facility repair and improvement at institutions which participate in the Campesino Scholarship Program. This project will benefit lower income persons by giving them access to educational opportunities which will make these people more productive and more employable. The skills and knowledge acquired during training should also permit them to increase their earning power and family incomes.

FINANCIAL PLAN

(In Thousands of U.S. Dollars)

Financing Lines	Amount Budgeted
Campesino Scholarships	2,200
Support for the Management Training Project and Private Training Institutions	2,200
Training Facility Improvement	600
Total	5,000

II. D. Projects Which Improve Governmental Policy, Institutional Capabilities, Service Functions and Project Implementation Capacity

1. Policy Analysis Unit, $ 1.0 Million

This project will provide counterpart funds for the GOB's Policy Analysis Unit which was created under USAID/Bolivia's Policy Analysis Project. The unit is composed of capable professionals who can evaluate policy alternatives, investigate policy options, and give policy makers sound technical advice regarding the probable consequences of alternative policy decisions. It is expected that when policy makers have access to this type of information, they will begin to make better policy decisions and that the GOB will use policy alternatives as a positive development tool.

FINANCIAL PLAN

(In Thousands of U.S. Dollars)

Financing Lines	Amount Budgeted
Personnel	500
Materials, Equipment and Supplies	200
Travel, Per Diem and Other Operating Costs	300
Total	1,000

2. Productive Infrastructure, $ 11.0 Million

This project will finance infrastructure projects which may be presented by the DDCs, community groups, PVOs, cooperatives, producers' associations or by other groups. Although priority is expected to be given to rural road construction or improvement projects, to water management projects, or other income generating projects, the Executive Secretariat will accept all types of small infrastructure projects which can be shown to improve the productivity, health, employment opportunities, or welfare of rural communities. Projects which have important and direct income generating effects may be funded on a loan basis. Others which have important impacts on a community's welfare but which are not expected to have an immediate impact on family or community income will generally be financed as grants. All projects will require a counterpart contribution of at least 25% of the total project cost.

FINANCIAL PLAN

(In Thousands of U.S. Dollars)

Financing Lines	Amount Budgeted
Roads and Road Improvements	5,000
Water Management Systems	4,000
Other Infrastructure Projects	2,000
Total	11,000

3. Control of Communicable Diseases, $8.0 Million

This project will assist the Ministry of Social Welfare and Public Health to maintain its disease control and surveillance activities and to reduce the incidence of illness and death resulting from diseases such as malaria, yellow fever, tuberculosis, immunizable diseases and diarrhea. Project funds will be used to support: mosquito control programs (spraying, elimination of larvae by biological controls, elimination of breeding areas); taking of blood samples as part of the Ministry's disease surveillance system; immunization of 280,000 children annually against polio, measles, diptheria, pertussis, tetanus, and tuberculosis; the Ministry's Oral Rehydration Therapy Program; limited remodeling of Ministry facilities; training; and other related activities. This project will benefit the rural poor by extending health services to remote rural areas as well as to major urban centers.

FINANCIAL PLAN

(In Thousands of U.S. Dollars)

Financing Lines	Amount Budgeted
Malaria and Yellow Fewer Control Programs	3,800
Immunization Program	1,500
Tuberculosis Control Program	1,000
Diarrhea Control Program	1,000
Infrastructure and Training	700
Total	8,000

4. Institutional Development, $3.0 Million

This project will improve the project implementation capability of the GOB by targeting training, technical assistance, materials, equipment and, in a few special cases, budgetary support to key GOB institutions. Institutions which have been tentatively selected to receive this assistance are the Ministry of Finance and the National Controller General's Office. The project will benefit Bolivia's poor majority by assisting the GOB to be a more effective implementor of development projects which are mainly targeted on the poor majority and which are designed to increase the health, incomes and/or welfare of the urban and/or rural poor.

FINANCIAL PLAN

(In Thousands of U.S. Dollars)

Financing Lines	Amount Budgeted
Training	750
Equipment and Supplies	750
Technical Assistance	750
Budgetary Support	750
Total	3,000

5. Rural Development Projects, $7.0 Million

This project is a continuation of the highly successful Departmental Development Corporations project that was begun with the 1978 Title III Agreement. It provides funds to help the DDCs improve their planning, project identification, project analysis and project funding capabilities. To be eligible for funding, subprojects must increase incomes or employment opportunities, improve the health and/or nutritional status, or in some other way improve the welfare of Bolivia's poor majority. Projects may be presented by the DDCs, PVOs, regional offices of GOB institutions with a project implementation capability, or by other decentralized agencies. Subprojects which provide loans to private firms will be channeled through ICIs to the relevant DDC or directly to the Executive Secretariat. In the event that projects are presented which require both dollar and peso financing, P.L. 480 pesos may be combined with dollars from USAID's Departmental Development Corporations Loan. All subprojects presented to the Executive Secretariat for consideration under this project must have at least a 25% counterpart contribution from local firms, institutions, individuals or ICIs who will participate in the subproject.

FINANCIAL PLAN

(In Thousands of U.S. Dollars)

Financing Lines	Amount Budgeted
Technicl Assistance, Training and Support	500
Subprojects	6,500
Total	7,000

6. Renewable Natural Resource Planning and Management, $4.0 Million

This project will finance activities of central government, decentralized and regional public entities, PVOs, private environmental groups, or rural communities which address data collection and/or analysis, planning, coordination, public awareness, legal, legislative, field implementation, supervision, or evaluation activities related to improvement of renewable natural resource policies and practices. Among other things, the activities funded under this project will contribute toward: (a) preparation of a uniform land use capability system for use by key Bolivian development agencies; (b) increasing public awareness and education with respect to environmental protection and management issues; (c) increasing the number of natural resource management and protection projects which are being implemented; (d) improving the legal and policy base for the use of natural resources; and (e) expansion and improvement of national parks, biological reserves and wild land areas. Funding proposals may be submitted to the Executive Secretariat by interested executing agencies. The Secretariat will review these proposals in terms of technical, social, environmental, and financial feasibility and also in terms of the proposals' complementarity with related activities.

FINANCIAL PLAN

(In Thousands of U.S. Dollars)

Financing Lines	Amount Budgeted
Productive Impact Projects	3,000
Data, Planning, Diffusion	400
Protection of Natural Areas	600
Total	4,000

7. Program Administration, $ 1.5 Million

This project will finance the administrative expenses of tne Executive Secretariat. The total operating costs of the Executive Secretariat will be funded from Title III generations. An illustrative budget for the Executive Secretariat's program management expenses is presented below.

ILLUSTRATIVE BUDGET FOR PROGRAM MANAGEMENT

Salaries	US$ 335,000
Consultants	1,000
Office Rent	15,000
Utilities and Telephone	1,500
Office Supplies	15,000
In-Country Travel	18,000
In-Country Per Diem	77,500
Training	1,500
Foreign Travel & Per Diem	2,000
Miscellaneous Expenses	1,500
Inflation Factor	32,000
Total	500,000
Three-Year Operating Expenses	US$ 1,500,000

III. IMPLEMENTATION ARRANGEMENTS

A. Government of Bolivia Organization

The program will be implemented under the overall policy guidance of the Government of Bolivia's Joint Commission for Rural Development, which has been established to serve as the Government's representative for purposes of formally approving the program. Implementation of the program will be carried out by the Joint Commission's Executive Secretariat, which will be in charge of planning, directing, coordinating, and controlling program activities. In carrying out these functions the Secretariat will work in a collaborative fashion and serve as principal liaison with USAID/Bolivia.

The Executive Secretariat will be legally constituted as an autonomous public institution having the power to enter into contracts and act as its own representative in a legal capacity. Detailed implementation arrangements and specific duties of the implementation organizations mentioned below have been specified in a Project Implementation Letter.

B. Organization and Responsibilities for the Program

1. Joint Commission for Rural Development (JCRD)

The Joint Commision will be composed of the Subsecretaries of the Ministries of Finance; Campesino Affairs and Agriculture; Industry, Commerce and Tourism; Public Health; and Planning and Coordination. The Chairman of the Joint Commission will be the Sub-Secretary of the Ministry of Finance. The Joint Commission will be responsible for establishing general policy guidelines, implementation plans and programming proposals, and clearing annual reports which the Executive Secretariat prepares for U.S. Government approval.

2. Executive Secretariat

The Executive Secretariat will:

a. Plan, direct, coordinate, control, monitor and implement the program in close collaboration with USAID.

b. Review and analyze the technical, economic/financial and other aspects of project proposals, or participate with USAID in doing the same, and submit those found to be acceptable to USAID for approval. Within the limits set out by USAID Implementation Letter, the Secretariat may approve certain projects with no prior USAID concurrence.

c. Maintain up-to-date, complete and accurate accounting for the FFD Program, review and help strengthen accounting at the subproject level, and provide, upon request, project and Program financial status information to the Joint Commission and USAID.

d. Coordinate contacts between executing agencies, the Department of Coordination and Project Control, USAID/Bolivia, and the Joint Commission;

e. Prepare and submit shipment and financial reports in addition to a draft of the annual report, for Joint Commission approval, giving an overview of progress achieved to date, a comparison of goals and achievements, accounting of the use of funds available for future uses, and recommendations for modifying and improving the Food for Development Program.

f. Design and test methodologies for monitoring and evaluating projects, and transferring these methodologies to entities in charge of project implementation.

g. Carry out other tasks delegated by the Joint Commission.

The operating costs of the Secretariat will be financed from Title III-generated local currency.

3. Department of Coordination and Project Control (DCCP)

This office of the Ministry of Finance already exists and is responsible for the central accounting of all international loans contracted for by the Government of Bolivia. Included in its responsibilities are the tasks of disbursing funds needed by the Food for Development Program upon receipt of a disbursement request from the Executive Secretariat and reviewing all payments made by the implementing entities.

4. USAID/Bolivia

USAID/Bolivia will support, collaborate with and oversee the work of the Executive Secrtariat in implementing the FFD Program. As part of its country development assistance responsibility, USAID may assist public and private sector groups or institutions to identify and prepare project proposals for Executive Secretariat consideration. Occasionally, USAID may also assume or share responsibility for overseeing the implementation of all or of components of projects and/or subprojects which are of particular importance to USAID's program objectives.

C. Evaluation Plan

The projects will be evaluated annually commencing approximately one year from the date of the first project disbursements. The evaluation will examine the utilization of Food for Development funds, financial aspects of project operations, project administration, the results of the projects, and their impact on target groups.

D. Savings Accounts

In order to protect the purchasing power of program resources, funds deposited in the Title III, P.L. 480 special account which will not be needed immediately to finance program activities can be invested in interest-bearing accounts upon mutual agreement by the GOB and USAID/Bolivia. Interest earned will be budgeted for program subprojects by mutual agreement between USAID/Bolivia and the Executive Secretariat.

E. USAID Monitoring

Monitoring will be performed at two levels:

1. Routine technical and financial monitoring, as needed, will be maintained between the Secretariat of the Joint Commission, and the different USAID offices depending on the subject requiring resolution, i.e., Office of the Controller regarding accounting practices and disbursements; Engineering and Transportation on building plans and specifications; and

2. Monthly, by a Mission Project Implementation Committee composed of representatives from various interested USAID offices.

F. REVISIONS PERMITTED UNDER THIS AGREEMENT

Implementation Letters may be used to revise individual project financial plans and corresponding implementation targets and narrative descriptions, for the purpose of achieving expeditious and effective implementation of the project in a manner consistent with the overall goals and purposes underlying the project as originally contemplated, and the Agreement as a whole. No such adjustments may:

1) Add a new individual project;

2) Discontinue or delete a project; or

3) Revise project funding so as to result in an increase or decrease of any project by more than ten (10) percent of the total funding for the project as set forth in Annex B, during the life of the Agreement.

Any other revisions of individual projects can be made only by formal amendment to this Agreement, effected through an exchange of Diplomatic Notes.

ANNEX II

List of Rural Development Projects Carried Out Under the Current Agreement

Projects and Subprojects	Implementing Agency	Department	Amount Budgeted ($b.000)	Beneficiarie[s]
1. Promotion of National Wheat Production	M.I.C.T.	La Paz 1/	60,309 2/	7,600
Collection Centers:				
1) Redención Pampa	Chuquisaca		NA 3/	NA
2) Yamparaez	Chuquisaca		NA	NA
3) Tomina	Chuquisaca		NA	NA
4) Cliza	Cochabamba		NA	NA
5) Totora	Cochabamba		NA	NA
6) Betanzos	Potosí		NA	NA
7) Villa Talavera	Potosí		NA	NA
8) Cotoca	Santa Cruz		NA	NA
9) Abapó Izozog	Santa Cruz		NA	NA
10) Junacas	Tarija		NA	NA
11) Barrancas	Tarija		NA	NA
2. Development of Integral Cooperatives	FENACRE	Cochabamba	4,598,039	12,500
Integral Cooperatives:				
1) Cochabamba Ltda.		Cochabamba	4/	3,000
2) Gran Chaco Ltda.		Tarija	4/	500

1/ Central Office
2/ Approved for the whole Wheat Collection Centers project
3/ NA - Not Available
4/ A total of $b 14,000,000.00 approved for all Integral Cooperatives

3) Santa Cruz Norte Ltda.		Santa Cruz	4/	1,500
4) FENACRE		Cochabamba	3,450	-
5) Support to Project Management 5/		Cochabamba	19,547	NQ7/
6) Credit Projects			4,575,042	7,500
3. Access Roads and Transportation Infrastructure	I.N.C.	La Paz1/	284,479	12,200
1) Chané-Piraí Road		Santa Cruz	22,562	2,200
2) Chané River Bridge		Santa Cruz	11,917	5,000
3) El Hondo - Blanca Flor Penetration Road	CORDEBENI CORDEPANDO	Beni and Pando	250,000	5,000
4. Agricultural Service Centers	EXECUTIVE SECRETARIAT	La Paz1/	166,461	2,300
Agricultural Service Centers:				
1) Design Office		La Paz	69,947	-
2) Villazón Center		Potosí	6/	200
3) Monteagudo Center		Chuquisaca	6/	400
4) Vallegrande Center		Santa Cruz	6/	600
5) San José de Chiquitos Center		Santa Cruz	6/	200
6) Punata Center		Cochabamba	20,231	900
7) Villa Tunari			17,863	-
5. Pesticide Control and Plant Quarantine Program	M.A.C.A.	La Paz1/	27,000	5,000
1) Pesticide Laboratory		La Paz	9,906	NQ
2) Control Units		National	17,094	5,000

5/ Includes ONCICOOP and Support to FENACRE Project Management Office
6/ $b58,419,915.61 approved for the Villazón, Monteagudo, Vallegrande and San José de Chiquitos Centers by means of Implementation Letters and approval notes
7/ NQ - Non Quantifiable.

6. Rural Development Projects			1,617,912	41,338
Beni	CORDEBENI	Beni1/	865,833	8,078
1) Well Drilling		Beni	10,780	1,863
2) Hog Reproduction		Beni	5,383	120
3) Cacao and Coffee		Beni	5,762	300
4) Trinidad Horticulture		Beni	5,456	70
5) Guayaramerín Horticulture		Beni	770	25
6) Corn, Soybean and Sorghum Production		Beni	30,024	200
7) Construction of Bridges	S.N.C.	Beni	400,000	5,000
8) Construction of the Veterinary Faculty	U.M.J.B.	Beni	407,658	500
Cochabamba	CORDECO	Cochabamba1/	21,724	890
1) Pisciculture Project, Piusilla		Quillacollo	4,085	620
2) Banana-Fig Project		Cochabamba	4,382	150
3) Pocona Integrated Agricultural Development Project	P.D.A.I.	Cochabamba	13,257	120
Chuquisaca	CORDECH	Sucre1/	29,571	5,000
1) Agricultural Training Center		Chuquisaca	400	NQ7/
2) Corralón Mayu Sheep Center		Chuquisaca	8,773	2,000
3) Rural Fish Culture		Chuquisaca	4,852	2,300
4) Apple Tree Nursery		Chuquisaca	15,546	700
La Paz	CORDEPAZ	La Paz1/	15,669	6,000
1) Apple Production		La Paz	4,210	500
2) Artificial Insemination		La Paz	2,664	2,500
3) Animal Health		La Paz	750	3,000

4) Orientation and Planning Seminar		La Paz	545	NQ
5) Data Processing System		La Paz	7,500	NQ
Oruro	CORDEOR	Oruro1/	26,956	8,000
1) Provision of Water to Rural Communities		Oruro	15,505	5,000
2) El Choro Sheep Center		Oruro	11,451	3,000
Pando	CORDEPANDO	Cobija1/	9,990	1,670
1) Road Maintenance		Pando	5,150	1,500
2) Center for Technical Assistance for the Small Farmer		Pando	4,840	170
Potosí	CORDEPO	Potosí1/	276,118	2,730
1) Río Mulatos Sheep Center		Potosí	11,748	2,500
2) IADP - Belén Hornos		Potosí	43,370	30
3) Reactivation of Potato Cultivation	Coop. Tahuantinsuyo		221,000	200
Santa Cruz	CORDECRUZ	Santa Cruz1/	307,126	6,210
1) Agricultural Development in San Javier		Santa Cruz	1,976	160
2) Water Ponds		Santa Cruz	5,191	1,500
3) Manual Cultivation of Corn, Mairana		Santa Cruz	1,294	2,000
4) Wheat Seed Multiplication	CIAT	Santa Cruz	54,260	1,000
5) Basic Rice, Corn, Soybean Seed	CIAT	Santa Cruz	38,567	50
6) Winter Crop Emergency Plan	CORDECRUZ	Santa Cruz	100,385	1,500
7) Access Roads	CIAT	Santa Cruz	105,453	NQ
Tarija	CODETAR	Tarija1/	44,744	2,760
1) Poultry Production Project	CODETAR	Tarija	5,049	60
2) Improvement of the Potable Water System		Tarija	1,493	500

3) Coimata Fruit Tree Nursery		Tarija	3,160	700
4) Land Conservation and Rehabilitation	PERTT	Tarija	35,042	1,500
Other			20,181	NQ
1) Natural Resources Study, "SOUTH"	GEOBOL	Cba.-Chuq.-Pt.-Tarija	6,166	NQ
2) Natural Resources Study, "La Paz"	GEOBOL	La Paz	9,015	NQ
3) Sheep Project Study 8/		National	5,000	NQ
7. Community Conservation			30,581	15,000
1) Huancané Nursery	C.D.F.	La Paz	9/-	3,000
2) Millu Mayu Nursery	CORDECO	Cochabamba	9/-	6,000
3) Chaquí Nursery	CORDEPO	Potosí	9/-	2,000
4) Sidras Nursery	CODETAR	Tarija	9/-	4,000
8. Small Irrigation Systems			2,000,000	3,240
1) Project Design	S.N.D.C.	La Paz	10/	-
2) ICLA	S.N.D.C.	Chuquisaca	10/	100
3) Apaga Punta	S.N.D.C.	Cochabamba	10/	900
4) Tejahuasi	S.N.D.C.	Chuquisaca	10/	120
5) Tuti Mayu	S.N.D.C.	Cochabamba	10/	170
6) Chuma	S.N.D.C.	La Paz	10/	60
7) Finca Esquena	S.N.D.C.	Potosí	10/	70
8) Erquis	CODETAR	Tarija	10/	220
9) Achaca	S.N.D.C.	La Paz	10/	200
10) Lacoyo San Antonio	S.N.D.C.	La Paz	10/	200

8/ Approved for CODETAR's Sheep Project, $b 3,966,998.00

9/ A total of $b30,581,000.00 approved for all forestry projects

10/ A total amount of $b 2,000,000,000.00 has been approved for small irrigation systems.

11) Paco Pampa	S.N.D.C.	Oruro	10/	50
12) Guadalupe	S.N.D.C.	Cochabamba	10/	300
13) Tacachía	S.N.D.C.	La Paz	10/	30
14) Cañas Chaguaya	CODETAR	Tarija	10/	80
15) Panti Pampa	CODETAR	Tarija	10/	100
16) Achaya	S.N.D.C.	La Paz	10/	60
17) Jatun Khakha	S.N.D.C.	Chuquisaca	10/	80
18) Pojo	CORDECO	Cochabamba	10/	100
19) Chaquí	S.N.D.C.	Potosí	10/	400
9. Expanded Small Farmer Credit Program			1,342,664	11,170
1) Agricultural Bank of Bolivia	B.A.B.	La Paz	91,528	2,500
2) Insurance Pilot Plan	A.S.B.A.	Cochabamba	25,000	2,000
3) Agricultural Emergency Plan	Coop. La Merced	Santa Cruz	25,203	110
4) Integrated Agriculture Development Project, Pocona (1983 Emergency Plan)	P.D.A.I.	Cochabamba	52,094	120
5) Fruit Spider Control Campaign	CORDECH CORDEPO CODETAR	Chuquisaca, Potosí, Tarija	67,495	2,200
6) Potato Cultivation Project	IBTA-CORDEPAZ	La Paz	135,660	380
7) Collection and Planting of Potatoes	CAP	Potosí	52,000	300
8) Emergency Credit Program, FENACRE	FENACRE	Cochabamba	57,029	250
9) Corn Production Project	PDAI	Cochabamba	25,830	400
10) Dairy Project	Coop. Chijipina	La Paz	33,937	50

11) Wheat Seed Purchase, Processing and Distribution Project	ANAPO	Santa Cruz	48,460	50
12) Rice Commercialization	FENCA	Santa Cruz	62,500	300
13) Potable Water and Sewage	SENDU	La Paz	358,282	2,000
14) Credit to Associate Agriculturalists	Coop. La Merced	Santa Cruz	198,796	500
17) Credit for Preparation of Studies	Several Consultants	National	50,000	NQ
18) Agricultural Project	Coop. Nueva Canaan	Cochabamba	58,850	10
10. Campesino Scholarship Fund	EXECUTIVE SECRETARIAT	La Paz	210,447	2,465
1) "Colegio Adventista de Bolivia"		Cochabamba	11/	350
2) "Instituto Técnico Agropecuario Choquecota"		Oruro	11/	300
3) "Centro Educativo Técnico Agropecuario La Lava"		Potosí	11/	250
4) "Colegio Politécnico Oscar Unzaga de la Vega"		Cochabamba	11/	250
5) "Instituto Nacional Técnico Agropecuario Carapari"		Tarija	11/	250
6) "Instituto de Capacitación Agropecuaria de Puna"		Potosí	11/	200
7) "Instituto Técnico Agropecuario Germán Busch"		Pando	11/	175
8) "Escuela Granja Hogar"		Santa Cruz	11/	100
9) "Escuela Agropecuaria San Miguelito"		Santa Cruz	11/	140
10) "Centro Auqui Anaya"		La Paz	11/	120
11) "Escuela Nuestra Señora de Begoña"		Beni	11/	160
12) "Escuela San Ignacio"		Cochabamba	11/	60

11/ Approved for the whole project

13) "Escuela El Chaco"		Chuquisaca	11/	40
14) "Instituto Técnico Agropecuario Canadá		Cochabamba	11/	70
11. Rural Development Studies			100,466	NQ
1) Project Evaluation Course	CORDEBENI	Beni	414	
2) Creation of a Technical Level Agricultural School	Consulting Team	La Paz	390	
3) Technical Research Study by Kansas State University	Consulting Team	National	579	
4) Technical Assistance for the Reorganization of MACA	Consulting Team	La Paz	1,704	
5) Management of Chapare Studies	EXECUTIVE SECRETARIAT	La Paz	200	
6) Preparation of Chapare Studies	CAEM-Coopers & Lybrand	Cochabamba	15,000	
7) Agricultural Credit Consultant	Consultant	National	300	
8) Training Courses	"Contraloría"	La Paz	8,716	
9) 1984 Crop Study	MACA	National	69,490	
10) External Audit, Title III Rice	SOCAUD	National	3,673	
12. Communicable Disease Control	MIN. HEALTH	La Paz	2,557,787	1,020,000
1) Expanded Immunization Program	Epid. Division	National	12/	150,000
2) Malaria Control	Malaria Division	National	12/	630,000
3) Chagas Disease Research	Epid. Division	Cba.-S.C.-Tja.-L.P.-Chuq.	12/	NQ
4) Yellow Fever Control	Epid. Division	Santa Cruz	12/	180,000
5) Tuberculosis Control	Epid. Division	National	12/	60,000

(12) A total of $b2,276,650,382.37 approved for these health projects

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6) Construction of Malaria Control Project Building	MIN. HEALTH	La Paz	281,137	NQ
13. Improved Nutrition			225,151	NQ
1) Imporoved Nutrition	INAN	National	19,009	NQ
2) Food and Nutrition	MIN. HEALTH	National	67,842	NQ
3) Nutrition Program	FEPADE	National	138,300	NQ
14. Policy Analysis Unit	MPC	La Paz	360,000	NQ
15. Secretariat for the Development of the Bolivian Tropic			1,100,755	
1) Land Use Capability Study	Consulting Team	National	1,100,755	NQ
16. Institutional Support to Producers' Associations	-	-	13/	NQ
17. Program Administration	EXECUTIVE SECRETARIAT	La Paz	322,245	NQ
			15,004,396 14/	1,132,813

13/ No funds have been committed for this subproject as of June 30, 1984 because this is a new subproject.

14/ This total reflects the total amount disbursed as of June 30, 1984. This total is approximately equal to $29 million, given the various exchange rates in effect durin the period 1978-1984.