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

BOLIVIA

PROJECT PAPER

LOW COST SHELTER THROUGH THE PRIVATE SECTOR

Amendment No. 2

AID/LAC/P-536
CR P-305 P-150

Project Number 511-0567

UNCLASSIFIED

1

AGENCY FOR INTERNATIONAL DEVELOPMENT				1. TRANSACTION CODE		DOCUMENT CODE			
PROJECT DATA SHEET				<input checked="" type="checkbox"/> A = Add <input type="checkbox"/> C = Change <input type="checkbox"/> D = Delete		Amendment Number 2		3	
2. COUNTRY/ENTITY				3. PROJECT NUMBER					
BOLIVIA				511-0567					
4. BUREAU/OFFICE				5. PROJECT TITLE (maximum 40 characters)					
LAC				LOW COST SHELTER THROUGH THE PRIVATE SECTOR					
6. PROJECT ASSISTANCE COMPLETION DATE (PACD)				7. ESTIMATED DATE OF OBLIGATION					
MM DD YY 08 08 92				(Under "B." below, enter 1, 2, 3, or 4) A. Initial FY <u>B 3</u> B. Quarter <input checked="" type="checkbox"/> C. Final FY <u>92</u>					
8. COSTS (\$000 OR EQUIVALENT \$1 =)									
A. FUNDING SOURCE	FIRST FY			LIFE OF PROJECT					
	B. FX	C. L/C	D. Total	E. FX	F. L/C	G. Total			
AID Appropriated Total	150		150	2530		2530			
(Grant)	(150)	()	(150)	()	()	()			
(Loan)	()	()	()	()	()	()			
Other U.S.	1.								
	2.								
Host Country CACEN/S&Ls/GOB		4	4		845	845			
Other Donor(s)									
TOTALS	150		154	2530		3375			
9. SCHEDULE OF AID FUNDING (\$000)									
A. APPRO- PRIATION	B. PRIMARY PURPOSE CODE	C. PRIMARY TECH CODE		D. OBLIGATIONS TO DATE		E. AMOUNT APPROVED THIS ACTION		F. LIFE OF PROJECT	
		1. Grant	2. Loan	1. Grant	2. Loan	1. Grant	2. Loan	1. Grant	2. Loan
(1) PSEE	720	866		1,650		880		2,530	
(2)									
(3)									
(4)									
TOTALS				1,650		880		2,530	
10. SECONDARY TECHNICAL CODES (maximum 5 codes of 3 positions each)								11. SECONDARY PURPOSE CODE	
12. SPECIAL CONCERNS CODES (maximum 7 codes of 4 positions each)									
A. Code									
B. Amount									
13. PROJECT PURPOSE (maximum 480 characters)									
14. SCHEDULED EVALUATIONS					15. SOURCE/ORIGIN OF GOODS AND SERVICES				
Interim		MM YY	MM YY	Final	MM YY				
		01 91			07 92	<input checked="" type="checkbox"/> 000	<input type="checkbox"/> 941	<input checked="" type="checkbox"/> Local	<input type="checkbox"/> Other (Specify)
16. AMENDMENTS/NATURE OF CHANGE PROPOSED (This is page 1 of a _____ page PP Amendment.)									
17. APPROVED BY					18. DATE DOCUMENT RECEIVED IN AID/W, OR FOR AID/W DOCUMENTS, DATE OF DISTRIBUTION				
Signature					for Bureau Controller John Davison, Controller				
Title					Date Signed				
G. Reginald van Raalte Director, USAID/Bolivia					MM DD YY 07 28 89				
					MM DD YY 07 28 89				

PROJECT AUTHORIZATION
(Amendment No. 2)

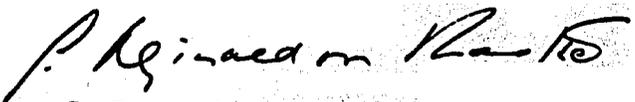
Name of Country: Bolivia
Name of Project: Low Cost Shelter Through the Private Sector
Number of Project: 511-0567

1. Pursuant to Section 106 of the Foreign Assistance Act of 1961, as amended, the Low Cost Shelter Through the Private Sector Project for Bolivia was authorized on July 25, 1983 (the "Authorization"). The Authorization was previously amended on July 29, 1986. The Authorization is hereby further amended as follows:

a. Paragraph 1 is deleted in its entirety and the following is substituted therefor:

"Pursuant to Section 106 of the Foreign Assistance Act of 1961, as amended, I hereby authorize the Low Cost Shelter Through the Private Sector project for Bolivia involving planned obligations of not to exceed Two Million Five Hundred and Thirty Thousand United States Dollars (US\$ 2,530,000) in grant funds ("Grant") over a nine year period from date of initial obligation, subject to the availability of funds in accordance with the A.I.D./OYB allotment process, to help in financing foreign exchange and local currency costs for the project. The planned life of project is nine years from the date of initial obligation, or until September 8, 1992."

2. Except as expressly modified or amended hereby, the Authorization, as previously amended, remains in full force and effect.


G. Reginald van Raalte
Mission Director, USAID/Bolivia

PD&I:LValenzuela:29221:7/24/89
Clearances:

	Date
PD&I:JCloutier	JC 7/28/89
PS:RMoyers	RM 7/21/89
DP:LDowning	LD 7/26/89
EXO:Cassal/Keirnan	CK 07/28/89
ACONT:BSmith	BS 7/22/89
RLA:SAllen	SA 7/21/89
DD:HRKramer	HK 7/21/89

LOW COST SHELTER THROUGH THE PRIVATE SECTOR
(511-0567)
PROJECT PAPER AMENDMENT No. 2

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I. SUMMARY

This Project Paper Amendment provides an additional \$880,000 in Private Sector Energy and Environmental (PSEE) grant funds to the life-of-project budget for the Low Cost Shelter Through the Private Sector Project. The life-of-project will be extended from September 30, 1989 to September 8, 1992.

The additional funding and time will be used to consolidate the institution building process within the "Caja Central de Ahorro y Préstamo para la Vivienda" (CACEN), improve CACEN's supervision and regulation of the Savings & Loan (S&L) system, assist the S&Ls to improve their financial management, and continue to provide assistance to the Fondo Nacional de Vivienda (FONVI) and the Social Housing Institute (IVS) in improving their services to low-income families. Also assistance will be directed at incorporating other private sector participants into housing finance (e.g. credit unions) and expanding private sector lending for activities such as registration of land titles, provision of urban infrastructure including water and sanitation services.

The goal and purpose of the project remain unchanged. The project's goal is to improve the shelter conditions of Bolivia's low-income families. The Project's purpose is to expand the private sector's capacity to address the shelter-related needs of Bolivia's low-income families.

The Low Cost Shelter Through the Private Sector Project was signed on September 8, 1983. The project contemplated a Housing Guaranty (HG) Loan of \$15.0 million, plus grant funds for technical assistance and training of \$1.65 million, of which \$500,000 was authorized in the original Project Paper^{1/} and the remainder in Amendment No. 1 of July 1986.

Although the HG loan was not implemented as scheduled in 1983 due to the political problems then prevalent and the exacerbation of the country's economic crisis, implementation of the \$500,000 Low Cost Shelter Through the Private Sector (511-0567) Grant began in 1984. In the context of Bolivia's severe economic crisis, the principal objective of the Project became that of ensuring the survivability of the private S&L system until such time as the housing guarantee loan could be implemented. Twenty-four person/months of long-term technical assistance were provided to CACEN and its S&Ls under a technical assistance contract

^{1/} Reference is made in the Project Paper to La Merced Cooperative as an institutional beneficiary under this project. Early in the life of the project, USAID made a decision to exclude La Merced, and, therefore, no technical assistance was provided to that institution.

with the United Savings League (USL) International, Inc. That contract also provided for a total of 23 person/months of short-term technical assistance in the following areas: savings mobilization, portfolio diversification, financial planning and information systems, marketing, and personnel management. Under the Project, technical assistance was also provided to the Government of Bolivia (GOB) in developing a national housing policy.

In July 1986, under PP Amendment No. 1, the PACD of the project was extended until September 30, 1989 and \$1.1 million in additional grant funds were provided to continue the project's technical assistance and training program. Included in the Amendment was an institutional contract (\$651,341) subscribed with Planning and Development Collaborative International (PADCO) to provide a long-term resident advisor in CACEN (24 p/m) and short-term technical assistance in various fields (19.25 p/m), from February 1987 to September 1989, which is the extended expiration date of the contract. The focus of project assistance was on strengthening CACEN as the regulatory and representative body of the S&Ls and expanding the S&Ls role and performance as diversified financial service institutions. Amendment No. 1 also provided assistance to the Ministry of Urban Affairs (MUA) to develop a national housing policy, and funding to the National Institute of Statistics (INE) to further develop baseline data to determine the median urban family income.

Many of the project outputs envisioned in Amendment No. 1 (see Section II.E.) were, up to the end of 1988, being met in spite of the fact that most of the project inputs had not materialized. However, the number of shelter related solutions, as contemplated in the PP, had not been produced due to the lack of HG funds, although some solutions were provided with financing from other sources, principally PL 480 funds. Moreover, the S&L's market share of savings did not reach the 6% target as of December 1987, nor was INE able to provide additional family income data.

During the implementation period of the technical assistance under the Amendment No. 1, the GOB undertook a series of economic measures (see Section II.B), which had direct impacts upon the shelter sector. The GOB shifted its role from that of shelter provider to facilitator, that is, it defined for itself the role of facilitating and orienting the actions of the private sector, which would in turn assume the burden for producing and financing shelter. The Fondo Nacional de Vivienda (FONVI) was created during this period (July 1987) in order to concentrate all public funds for housing in one institution and provide long-term financing to complement the short-term funds mobilized by existing institutions in the sector, such as the S&Ls.

This Amendment will continue to provide technical assistance to solidify the institutional strengthening of CACEN as the regulatory and representative body of the S&L System, and to facilitate implementation of the \$15.0 million HG loan that was contracted on February 22, 1989.

It will also provide technical assistance to enable FONVI to expand its financial functions, such as cycling the savings of non-salaried (informal sector) workers, and to ensure that all entities and institutions operating in the shelter sector, i.e., CACEN, the S&Ls, FONVI, Central Bank of Bolivia and the Superintendency of Banks, perform their intended roles within the context of the overall housing finance system in Bolivia.

The Amendment is consistent with both A.I.D. and GOB long-term development objectives. It will promote a private sector-led growth in the housing sector and help increase employment opportunities in the construction industry.

The revised summary budget for the A.I.D. contribution to the Project is shown below. A more detailed financial plan is found in Section IV.

A.I.D.

(US\$)

	<u>Previous Total</u>	<u>This Amend.</u>	<u>New Total</u>
1. Technical Assistance	1,137,566	270,000	1,407,566
2. Training	22,262	30,000	52,262
3. Commodities	88,340	-	88,340
4. Project Support	373,539	498,000	871,539
5. Promotion	-	-	-
6. Housing Policy	28,188	-	28,188
7. Evaluations and Audits	-	60,000	60,000
8. Contingencies	105	22,000	22,105
	<u>1,650,000</u>	<u>880,000</u>	<u>3,030,000</u>
	=====	=====	=====

II. BACKGROUND

The economic conditions in Bolivia in the 1980's have had a direct impact upon the structure and functioning of the S&L system.

In the following section, an overview is presented of the main economic trends and policies affecting the project from its initial implementation in September 1984, to the present.

A. The System during the Period of Economic Instability

In October 1984, when this project began to be implemented, the S&L system was in a precarious financial situation.^{1/} This situation was the result of a process that had been going on essentially since 1980, when the Bolivian economy began experiencing its difficulties.

The annual inflation rates during 1980 and 1981 were at 47.2% and 32.1% respectively. The S&L system adapted to this situation by raising interest rates for new loans and for deposits. However, since most of their loan portfolios were composed of medium to long term loans, the adjustment on interest income was slow, leading to a profit squeeze and an inability to pay competitive rates for deposits. Thus, a process of disintermediation began, with deposits in 1981 declining to Bs454.0 million (at constant 1979 prices) from their peak in 1979 of Bs550.5 million, and with a decrease in market share from 12% to 8% during the same period.

A 1982 decree authorized the S&L system to make a readjustment of its assets and liabilities, according to a then recent devaluation, eliminating the maintenance of value clauses for future devaluations. However, the decree did not de-dollarize the system's external debt, something that, as will be seen below, had strongly negative repercussions for the system.

The S&L associations revalued assets and liabilities by 76%, the full percentage of the devaluation, but substantially below the inflation rate (123.5% for 1982), and below the parallel market devaluation of the peso (321% at June 1982). Similarly, the ability of the S&Ls to recover future exchange losses through higher interest rates was limited by the borrowers capacity to pay. Thus, the S&Ls maintained their interest rates at levels substantially below the inflation rate.

By mid-1982, the S&L System found itself in a critical situation as the country entered its hyperinflationary process. With the elimination of the maintenance of value clause, the system was fully

^{1/} The origins and development of CACEN and the S&L System have been explained in great detail in the PP and the PP Amendment No. 1, thus it will not be covered in this document.

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exposed to devaluations. Although without this clause, savings deposits (initially an important liability of the system) did not have to be readjusted in case of a devaluation, these deposits were becoming less and less important in real terms, due to the devaluations themselves, and to the disintermediation process. On the other hand, the system's foreign debt was still dollar-denominated, and thus, fully readjustable after each devaluation. As the value of assets shrank with each devaluation, without a corresponding contraction in liabilities, the system became decapitalized to dangerous levels.

Because the Government was unable to formalize the HG Loan, \$7.0 million in USAID generated local currency resources, through the PL-480 program, were reserved for allocation to the system, to enhance its survivability during the economic crisis. Initial disbursements were made without interest and without a maintenance of value clause.

In order to assist in the strengthening of the S&L system's institutional capacity, it was also decided to implement the HG project's grant-funded technical assistance, helping the system survive until economic conditions permitted the implementation of the HG-007 agreement.

The inflationary process and severe devaluations continued in 1983 and 1984, a large devaluation taking place in November 1984, one month after the initial implementation of this project. In 1985, two additional devaluations took place before the end of the project's first implementation period. Since the structure of the S&L system was essentially unchanged throughout the period, the inflationary process left it insolvent, with a depleted loan portfolio, and practically no deposits.

Therefore, with such a precarious financial condition during the first period of the project's implementation, the system's overriding concern was to survive, even if it meant shrinking to nominal existence and deviating from the housing financing objective. In fact, from 1983 to 1984, 60% of the system's employees were terminated for lack of income to support them.

B. The System under the New Economic Program

The Paz Estenssoro administration that took office in August 1985, undertook radical changes in the orientation of the economy. During the second period of the project's implementation, covering September 1985 to July 1987, the main changes in economic trends and policies affecting the S&L system were:

- Control of Inflation. From an average rate of 11,750% in 1985, inflation was brought down to 14.6% in 1987.

- Exchange Rate Stabilization. After the September 1985 devaluation, and since February of 1986, the exchange rate has remained stable.

- Financial Sector Liberalization. Interest rate controls were eliminated, and dollar maintenance-of-value clauses were again made legal.

Although these changes virtually eliminated the weakening factors of the S&L system, one fundamental problem that still remained was the negative net worth of the institutions in the system. The shrinking of earning assets during the inflationary period, and the high level of dollarized debt, made the institutions in the system operate at a loss all throughout the second period of the project's implementation.

Despite this fact, considerable gains were made concerning certain desired structural changes or improvements in the S&L system:

- Diversification. The loan portfolio was diversified as far as loan terms were concerned. By December 1986, 62% of loans were short term, whereas in December 1981, they were only 10%. The portfolio also was diversified in terms of activity. Commercial loans were 38% and 0% of total loans for the two respective years.

- Savings Mobilization. The system's ability to compete with other financial institutions is shown by its increase in market share in total deposits from 3.4% in 1984, to almost 8.0% in December 1988. Its ability to mobilize savings is indicated by its level of deposits. In 1984, total deposits were US\$297,000. By 1988, they were US\$ 32.8 million.

- Portfolio Growth. An expansion of the loan portfolio also took place from 1984 to 1988. In 1984, the volume of the loan portfolio was US\$295,000, whereas in 1988 it had increased to US\$12.9 million.

Even though the GOB's New Economic Program did not provide a solution to critical S&L system problems, it did provide a basis for it to regain financial viability and contribute to housing sector growth.

C. The System and the Housing Sector Consolidation

As indicated in the previous section, the GOB established a framework for the S&L system to operate in a financially viable way. Nevertheless, the problem of the system's foreign currency debt still remained. In July 1987, the Government issued a decree absorbing the S&L dollarized debt (\$31.2 million) and freeing the system of any obligation on it.

The Government action immediately changed the net worth of the majority of the S&Ls institutions from negative to positive. In fact, the system as a whole had a 37.5% capitalization ratio by December 1987, extremely high by any standard.

As part of the NEP, the GOB also created a favorable climate for the housing sector when it transformed a virtually inoperative shelter sector with inefficient institutions and an environment where public and private sector entities did not complement each other's role, into one in which all the pieces of the puzzle fit and support one another. In doing so, it rid the sector of institutions of an earlier era which had become non-functional. These included the Government Housing Bank and the Housing Councils, all of which were shut down in July 1987.

The above apparatus was replaced by the Fondo Nacional de Vivienda (FONVI), which was charged with administering the funds being generated by the employer/employee programs in established industrial/commercial businesses in the country ^{1/}. FONVI was also asked to serve as a source of refinancing for loans originated by private financial institutions (including S&Ls) throughout Bolivia, and to provide long-term financing to complement the short-term funds mobilized by existing institutions, such as the S&Ls.

Because of the financial consolidation of the system, and because of the volume of funds potentially available, the issues faced by the savings and loan associations during the third period of the project's implementation, from July 1987 to the present, and until its conclusion in 1992 will be different from those faced in the previous two periods.

D. Major Issues Facing the Bolivian S&L System

Even with the above mentioned GOB actions, technical assistance and other actions of the past two years, the Bolivian S&L system still faces many obstacles. Based on an evaluation performed by PADCO in November 1988 on CACEN's supervisory and regulatory role over the S&L system, the main obstacles are:

1. The need to enhance CACEN's performance as the central organization of the S&L system. CACEN is an institution with many roles: it is a lobbyist, regulator, financier, educator, central banker and insurer. It carries out functions that in many countries are carried out by different institutions and groups. This multiplicity of functions has

^{1/} Current generations through the payroll deduction system are estimated at \$12.0 million per annum.

resulted in the regulatory and control functions receiving secondary importance to the intermediation of credit. Moreover, there are insufficient human resources to adequately fulfill the supervision function. Thus, the supervision of the S&Ls, particularly of the small S&Ls, is poor.

2. The operational philosophy of CACEN has been primarily oriented to the promotion of the intermediation of external funds for the S&L system, primarily from A.I.D.'s Housing Guaranty programs. Therefore, reductions in the level of intermediation such as the one during 1987/1988, which was down to 20 percent of the 1981 level, affected the operational capacity of CACEN. Its cash flow was aggravated by the failure of major new sources of funding - HG-007, PL-480 - to materialize in the amount and time anticipated.^{1/} Although the outlook for CACEN appears positive in the next two years as a result of the on-going availability of loan funds from the HG-007 and FONVI, corrective measures must be established by CACEN, such as raising capital from within the system, charging for services, controlling expenses--all of which entail the development of a strategic plan in coordination with the S&Ls and to some extent with the Superintendency of Banks.

3. There are significant differences of opinion between CACEN and the larger S&Ls, particularly the two located in the city of La Paz. These S&Ls act independently of the system and are largely uninvolved in making housing loans with their own or with external resources. This reduces the potential capacity of the system by half and leaves the large and important markets of La Paz and El Alto unattended, as evidenced by the inability to date to invest FONVI or A.I.D. resources in El Alto. These two S&Ls feel there is not adequate communication and consultation with CACEN, and that the institutional structure and procedures in CACEN are not strong enough. A point of contention is the lack of representation of these two S&Ls on CACEN's Board of Directors. CACEN, on the other hand, feels that the S&Ls are not responding adequately to the needs of low-income families. There are other differences, but whether real or perceived, they must be ironed out, so that the system can be unified and meet Bolivia's growing housing needs.

4. The hyperinflation that occurred between 1982 and 1985 decimated the deposit base within the S&L system. From a peak of \$35.3 million in 1981, savings fell to some \$150,000 in 1985. Nevertheless, a turnabout has occurred, and as of December 31, 1988, aggregate savings had attained a level of \$32.8 million. However, the deposit base of the savings is mostly of a short-term nature, i.e., Certificates of Deposit in dollars with short maturities. This situation does not allow the S&Ls to use their own funds for housing loans. Also, due to the financial

^{1/} It should be noted, that CACEN's portfolio was also reduced as a result of the external debt forgiveness by the GOB in July, 1987, whereby, the debt owed to CACEN by the S&Ls was eliminated from CACEN's books.

crisis of the early 1980's in Bolivia, the S&Ls reoriented their lending activities to very short-term operations, which diminished their housing lending portfolio and oriented their credit to commercial and productive activities.

According to the PADCO study, 58% of the current credit pipeline of the S&Ls rest with the five smallest S&Ls that have financial/operations difficulties. Also these five S&Ls account for 81% of the arrearages due to the S&L system. These are precisely the S&Ls that have the burden of productive lending activities, because of their location in the agricultural areas of the country. The study's objections to the S&Ls' participation in productive lending are also sustained by the fact that these lending activities are for sizeable amounts (US\$500,000-1,000,000) in fields where the S&Ls do not have the technical/administrative expertise to analyze the credit risk or properly manage the project. In addition to the above, the most serious drawback is the lack of a coherent policy by CACEN in the identification and appraisal of these productive projects, and its determination of what can effectively be carried out by the System as a whole.

Since FONVI began operations in late 1987 and the HG loan was contracted, the S&Ls are increasingly lending for housing activities. Currently, the proportion of housing and commercial lending activities is 70% and 30% respectively. Based on the guidelines established by the Superintendency of Banks in December 1988, the S&Ls should only devote their lending activities to the solution of the housing financing deficit in the country. Although CACEN has accepted the ruling of the Superintendency, there is concern that the small S&Ls cannot survive with housing-related loans alone. Without the ability to provide productive loans, their viability could be in jeopardy.

During the implementation of the Project, CACEN will be analyzing the situation of the small S&Ls and will work closely with the Superintendency of Banks to determine whether or not the limitation imposed by the Superintendency should be maintained.

5. The financial viability of the smaller S&Ls continues to be an issue, and in fact, is the subject of contention mentioned in item 3 above. As long as some of the S&Ls are not financially viable, they will remain a burden on the system. To use a common cliché, a chain is as strong as its weakest link, and this may very well be the case with the S&L system. Something must be done to improve the viability of those S&Ls, which may be as simple as increasing the size of their loan portfolio, thereby increasing both income and capital. Nevertheless, attention must be focused on improving the financial health of the small S&Ls.

6. To recap the recommendations of the consulting team, CACEN must undertake a series of steps and managerial adjustments, some by itself, and others in conjunction with the S&Ls and the Superintendency of Banks, as follows:

- CACEN must adjust its financial structure by implementing a capital subscription plan with the S&Ls. Also new procedures should be established for the selection of CACEN's Board of Directors, which will give more representation to the S&Ls in CACEN's policy decisions.

- CACEN must redefine its role. A new action plan for CACEN and the S&L system, must be implemented in coordination with the Superintendency of Banks.

- The ability of the System to sustain S&Ls that do not have the financial or operational capability to sustain themselves must be analyzed.

- The internal management of CACEN and its overall productivity must be improved. Other measures to be adopted are the optimization of investment profitability, and the reduction of S&L loan delinquency levels.

- The personnel and administrative structure of CACEN should be adjusted in accordance with a new organizational structure, which properly identifies the operational and service functions which CACEN should perform.

- As a corollary of the above, operational expenses within CACEN are to be adjusted, defining budgets by department and according to specific activities to be performed.

- A comprehensive strategic plan for the S&L system should be developed with the participation of the large S&Ls, which shows specific actions to be taken to achieve the financial viability of the S&L system.

If the S&L system can strengthen its operations in ways mentioned above, then its vulnerability to another crisis will be considerably lessened, although not eliminated. Dependence on USAID in future crises will also be reduced, something that will be good for both USAID and the system.

E. Effectiveness of the Technical Assistance to Date

A mid-term evaluation of the technical assistance and training component of the grant was carried out in January 1988 by Deloitte Haskins & Sells. The principal purpose of the evaluation was to assist the Mission to assess the accomplishments under the Project and to make recommendations for future activities and emphases. The major findings and conclusions were:

- Overall, the technical assistance component of the Project has been effective. According to the evaluation team, the consensus within the Ministry of Urban Affairs, CACEN, the smaller and the larger S&Ls, was that the technical assistance was very useful. In particular, they believe that the technical assistance was key in convincing the GOB to take steps necessary to keep the system solvent. The analyses and documentation provided by many of the advisors with the support of RHUDO/SA, was effective in helping the GOB reach decisions concerning the restructuring of the sector, which included the elimination of inefficient public housing financing institutions, the absorption by the GOB of the system's external debt, the creation of FONVI and IVS, and most essentially, the focus on the private sector financial system, particularly the S&L system, as the engine of the housing sector.

- In addition, the technical assistance was effective in convincing USAID that the S&L system was worth saving. This resulted in USAID providing PL-480 loans to the system to compensate for the delay in HG funding, and to assist CACEN to cover its administrative costs at a time when CACEN was receiving no fee income. In the absence of that support, CACEN, in all likelihood, would have had to cease operations, which would have been disastrous for the system.

- The purpose of the long-term technical assistance through a resident advisor in CACEN was to oversee the entire technical assistance package, and to serve as the main liaison between USAID/Bolivia and CACEN. Furthermore, the long-term advisor was to coordinate CACEN's and USAID's efforts in the Low Cost Shelter Program and the Potable Water and Sanitation Project. The long-term technical advisor's planned responsibilities also included management and financial planning assistance to CACEN and the S&Ls. The actual scope of work of the long-term advisor was diminished in 1987 when the current Mission Housing Advisor arrived at post and took on the implementation of the Low Cost Shelter Program and the Potable Water and Sanitation Project. With respect to the management and financial planning assistance to CACEN, the long-term advisor made a number of recommendations to improve the management practices at CACEN; however, these recommendations were never implemented by CACEN. Thus, this long-term assistance was not very effective.

- The short-term technical assistance provided to CACEN and the S&Ls under the grant has been in the following areas:

. Savings Mobilization	5.73 p/m ^{1/}
. Financial Planning	3.68 p/m
. Credit Analysis/Portfolio Diversification	1.59 p/m

1/ Please note the person/months listed correspond to the entire TA package from 1984 to present.

. Personnel Management and Organizational Structure	2.95 p/m
. Information Systems and Data Processing	4.25 p/m
. Potable Water and Sanitation Engineering	2.27 p/m
. Procurement and Inventory Management	.68 p/m
. Supervision/Regulation	5.50 p/m

Short-term technical assistance directed to the GOB included:

. Family Income and Expenditure Analysis	1.14 p/m
. Shelter Policy and Strategy	3.05 p/m
. FONVI	.68 p/m
. Housing Informal Sector Study for FONVI	est. 3 p/m
. Federal Home Loan Bank Board Policy Guidelines to the Superintendency of Banks and CACEN	est. 1 p/m

The technical assistance for Potable Water and Sanitation Engineering, on Procurement and Inventory Management, and for Family Income and Expenditure Analysis, as well as the first two years of the long-term advisor at CACEN were provided only during the first stage of the Project, under contract with the United States League International, Inc. (USL) from September 1984 to January 1987. The rest of the technical assistance was provided through the contract with Planning and Development Collaborative International (PADCO) from February 1987 to the present. This contract will expire in September 1989, although a no-cost extension of three months is being contemplated in order to complete two additional services envisioned in the contract, namely the Federal Home Loan Bank Board consultancy to the Superintendency of Banks/CACEN and the Housing Informal Sector Study.

- The effectiveness of the short-term advisory services was mixed although overall quite good. In several areas, such as information systems, the technical assistance was not only useful, but highly appreciated by all the recipients. Conversely, only one S&L has adopted the recommendations made in the area of personnel management, indicating that perhaps that technical assistance was less effective.

- Training under this Project consisted of seminars, courses, and participant training. Since May of 1985, when the first seminar on Financial Management was held in La Paz for 18 staff members from various S&Ls, approximately 234 persons have benefitted from 12 separate training activities. The courses and seminars were designed and given by the Latin American Training Center (LATC) of RHUDO/SA, the Instituto para el Desarrollo de Empresarios y Administradores (IDEA), CACEN, and others. In general, the training activities were concentrated in the areas of management, finance and marketing. The following table summarizes the training component to date:

TRAINING ACTIVITIES

<u>Type of Training</u>	<u>Institu- tion</u>	<u>Location</u>	<u>Date</u>	<u>No. of Partip.</u>
-Financial Management Seminar	P. Lasa	La Paz	May 85	18
-Management Round tables	CACEN	La Paz	Feb. 86	9
		Cochabamba		9
		Trinidad		9
-Visit to S&L in Arequipa, Perú	-	Arequipa	April 86	12
-Marketing Seminar	IBEE	La Paz	April 86	18
-Advanced Management Seminar	LATC	La Paz	June 86	20
-Computer Security & Auditing	-	Bogotá	Jan. 87	1
-Financial Marketing	LATC	Panama City	March 87	4
-Informal Sector (Housing)	LATC	Río de Janeiro	May 87	2
-Administrative Management	IDEA	La Paz	Apr. 87	18
-Marketing Management	IDEA	La Paz	Jun. 87	21
-Informal Sector (Housing)	LATC	Cali	Jun. 87	2
-Accounting & Financial Report	IDEA	Santa Cruz	Aug. 87	15
-Human Relations	CACEN	Trinidad	Sep. 87	10
-Human Relations	CACEN	Sucre	Sep. 87	10
-Human Relations	CACEN	La Paz	Sep. 87	10
-Human Relations	CACEN	Cochabamba	Oct. 88	23
-Human relations	CACEN	Guayaramerin	Oct. 88	22
-Project Analysis/Management	USDA	Wash., D.C.	Sep. 89	1
			Total	234

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- The training provided under the grant was effective, although the general consensus was that more training was needed. The course on Financial Reporting and Accounting was highly praised, and everyone agreed that courses of that nature should be emphasized.

- Overall, the main lesson learned is that technical assistance can make a difference. This assistance, combined with a minimal amount of financial assistance, in this instance from PL-480 funds, did ensure the survival of a key financial system. On the other hand, the S&L system may be too dependent on USAID. Self-sufficiency and self-sustainability of the system should be a key objective over the next few years.

F. Project Achievements

The Project Paper listed seven outputs (EOPS) that are expected to be achieved when the Project is completed (PACD: 9/30/89).

The Project outputs, as summarized in the logframe have generally been met in spite of the fact that most of the Project inputs did not

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materialize at the time they were anticipated. The number of shelter related solutions, as contemplated in the PP, were not provided due to the lack of HG funds, although some solutions were provided with financing from other sources. Also, the S&L's market share of savings did not reach the 6% target as of December 87, nor was the INE able to provide family income data. On the other hand, the remaining outputs have been essentially achieved.

The following table lists Project outputs from the logframe and indicates progress attained on each one as of December 1988:

ACHIEVEMENTS FROM LOG FRAME

<u>OUTPUTS</u>	<u>PROGRESS</u>
1. 19,000 shelter subloans to below-median income families.	1. 6,000 families have received shelter loans.
2. S&L system remains current on outstanding dollar debt.	2. GOB assumed dollar debt responsibility.
3. Computarized financial planning in all 12 S&Ls and CACEN	3. CACEN and five S&Ls have installed capacity. The other seven S&Ls will be equipped by December 1989.
4. 50,000 savings accounts in S&L system by 12/87 and 70,000 by 12/88.	4. 74,693 and 98,758 savings accounts as of 12/87 and 12/88, respectively.
5. S&L's share of savings market will increase to 6% by 12/87. and 8% by 12/88.	5. Market share was 4% in 12/87 and 7.6% in 12/88.
6. Up to 30% of S&L portfolio composed of short-term diversified lending.	6. 33% of S&L loan portfolio are short-term, non-shelter loans.
7. Periodic publication of national household income data by INE.	7. Not undertaken, and probably will not be completed in the future.
8. National housing policy is developed in conjunction with private sector.	8. A strategy incorporating the private sector developed by the GOB.
9. 137 persons will receive training in finance, marketing and administration.	9. 234 persons have been trained.
10. S&L loan portfolio increased to \$9.7 million in 1988.	10. Loan portfolio reached \$12.9 million as of 12/88.

G. Justification for the Amendment

The proposed Amendment to the grant component of the Private Sector Low Cost Shelter Program will provide additional resources to finance technical assistance and training activities to facilitate implementation of the \$15.0 million Housing Guaranty Implementation Agreement (511-HG-007) signed in November 1987. The first disbursement of \$7.5 million under the Program took place on February 1989 and its implementation has begun. Continued technical assistance will be essential to the institutional strengthening activities of CACEN and the S&L system. The management of CACEN and the S&Ls must be streamlined and made more aggressive and efficient.

As described earlier, under the Project, progress has been made towards a progressive national housing policy. To further that objective, the Amended Project will continue to support efforts to forge a public and private sector partnership in Bolivia, to mobilize investment resources for housing and urban development, and to strengthen the private sector's participation in urban development and low-cost shelter. The additional grant resources to be provided under the Amendment will also cover continued short-term assistance to the GOB for the development and implementation of a national housing policy, which is oriented towards the private sector and which allocates resources to poor families. These activities were included in the original technical assistance project, but not enough resources were earmarked for it. Given the great strides made in national housing policies, additional technical assistance will help solidify the housing institutions created by the GOB which cater to the needs of the Bolivian poor.

In order to ensure that CACEN achieves satisfactory progress in implementing the recommendations put forth by the PADCO consultants in coordination with the Superintendency of Banks, the Mission will establish a monitoring and evaluation system under this Amendment. Sanctions will be applied, such as withholding of HG-007 disbursement requests, if progress in reaching institutional objectives by CACEN is not satisfactory.

III. PROJECT DESCRIPTION

A. Strategy, Goal and Purpose

The goal and purpose of the Project remain unchanged. The Project goal is to improve the shelter conditions of Bolivia's low income families. The Project purpose is to expand the private sector's capacity to address the shelter related needs of Bolivia's low income families. This Amendment will extend the project for three years, from September 30, 1989 to September 8, 1992.

As described in the previous chapter, substantial progress has been made in the development of a shelter policy, as well as the shelter delivery system, thus enhancing the capacity of the private sector to meet the shelter needs of Bolivia's low income families.

However, these are still a number of structural and policy issues which remain to be addressed. Among these are: (i) how to develop a system in which public and private sector institutions assume their proper roles as entities of a fully functioning housing finance and delivery system; (ii) the consolidation of FONVI's role, which is the main source of domestic funding for housing and which is critical to the proper functioning of the overall system; and (iii) the reorientation of the housing institutions to meet the shelter needs of the urban poor on a large scale, especially those with non-salaried employment in the "informal sector."

It is within the above context that the Mission sees the shelter program's policy and institutional agenda as falling into two distinct areas, described below.

1. Housing Finance System Support

The technical assistance will define how the shelter sector's financing needs are to be met and which institutions will be made responsible for meeting those needs.

A major step towards this end, of course, will be the availability of housing finance. With the contracting of the first \$7.5 million of the HG loan in February 1989 and the inflow of \$18.2 million of FONVI's funds to CACEN and the S&Ls, adequate funds have been made available to begin meeting housing finance needs.

To ensure the overall success of the Project, however, continued technical assistance will be essential to implement the HG program and to improve the operations and financial viability of the S&L system. The focus of the technical assistance will be on strengthening CACEN as the regulatory/supervisory entity of the S&L system. The system and CACEN in particular, is facing a difficult recovery period which will involve a significant restructuring of past activities and attitudes.

In addition to its assistance to CACEN and the S&L system, the Project will also:

a) explore ways to establish a securitisation of mortgages through a secondary market for the packaging and trading of mortgages generated through the S&L system and FONVI;

b) consolidate FONVI's institutional status within the sector by reinforcing its role as a second level financial institution. Also, with the technical assistance additional or complementary sources of funding will be identified which may expand FONVI's financial functions to include cycling of the savings of non-salaried workers of the informal sector;

c) determine ways to incorporate other private sector financial institutions into housing finance, such as credit unions; and

d) ensure that all entities and institutions operating in the housing sector, i.e., CACEN, S&Ls, FONVI, BCB and the Superintendency of Banks, perform their intended roles within the context of the overall housing finance system, which was devised by the GOB in July 1987.

2. Ways to Improve the Accessibility of Low-Income Families to Affordable Housing

The second area of attention of the Amended Project will be to define what the sector's resources should finance and how.

In order to expand the benefits to a wider range of Bolivia's population, the Project will seek the following objectives:

a) continue to support efforts to learn how the informal sector meets its shelter needs, so proper programs can be devised to serve this target population;

b) continue to lend support to the creation of urban coalitions as a proper collaborative approach to assist poor communities, local governments, and the private sector to develop ways to better serve the housing needs of the urban poor;

c) support to develop shelter related solutions which are affordable and needed by poor families to meet their shelter requirements, including infrastructure connections (water and sanitation, electricity), construction materials bank (for self-help construction), land title registration (small loans to register titles) and similar requirements;

d) support to develop and refine organizational and institutional mechanisms which could improve the creditworthiness of the poor to acquire the shelter related solutions as those cited previously. For example, by providing loans for home improvements which poor families could repay in a short time, rather than long-term mortgage loans.

B. Revised Inputs and Outputs

1. Project Inputs

To enable the Mission to carry out the agenda described above, two PSC's will be contracted for 24 months each. One PSC will be in charge of the overall housing program management, coordinating the implementation of the Low Cost Shelter Program HG and Grant. For this purpose, the contract with the Housing Advisor already at post will be renewed for an additional two-year period.

The second PSC, to be hired, will act as a Housing Finance Advisor and will oversee the implementation of CACEN's plan to address its financial problems and the structural problems of the S&Ls. Also, in coordination with the Housing Advisor, he/she will assist the Mission in the dialogue with public and private institutions involved in housing finance.

Eighteen person/months of short-term technical assistance will be provided. The specific areas of assistance will be determined as the project is implemented. However, an illustrative list of activities and their time frames follows:

Institutional Strengthening Activities

13 p/m

1. Consolidate the institution-building process within CACEN, improve CACEN's supervisory role over the S&Ls, improve relations within the S&L system by holding two conflict resolution workshops, feasibility of a secondary market for mortgages.
2. Support of efforts to strengthen and expand operations of FONVI by streamlining its policies and procedures governing transactions and relationships with private sector finance institutions.
3. Devise strategies/measures to increase private sector effectiveness of credit delivery to low income beneficiaries, such as assistance in devising and implementing insurance schemes for limiting lender risks for housing, home improvement and infrastructure loans.

5 p/m

2 p/m

2 p/m

4. Support IDEA in the design of training workshops on diverse housing finance issues and topics. 1 p/m
5. Support in the implementation of computerized analytical models such as the Housing Needs Assessment and Housing Quality Model, Mortgage Repayment Simulation Model. 1 p/m
6. Undertake coordination workshops to improve dialogue between CACEN, S&Ls, the Superintendency of Banks, FONVI and the MUA. 2 p/m

Policy Analysis and Formulation

3 p/m

7. Studies to review the legal and institutional underpinnings of the Bolivian housing finance system and its institutions, primarily FONVI, to ensure its consolidation within the GOB structure. 1 p/m
8. Studies to establish appropriate policies to guide FONVI on ways to raise additional resources from non-salaried workers, as well as other studies, such as domestic resource mobilization, and the relationship between housing finance policies and broader monetary policies. 1 p/m
9. Studies to devise policies and strategies to increase the number of Bolivian women to benefit from the national housing finance system; and assistance in developing the Monitoring and Evaluation system. 1 p/m

Other (to be determined)

2 p/m

A training component will be provided to develop an in-house cadre of trainers within CACEN, the S&Ls, and FONVI in areas such as credit analysis, project management and portfolio management. Training activities will be organized in conjunction with the Latin American Training Center of RHUDO/SA.

The list of project inputs is as follows:

	<u>US\$</u>
1) Technical Assistance (18 p/m)	270,000
2) Training	30,000
3) Project Support (Two USPSC's for 24 p/m each)	498,000
4) Two External Evaluations and Audits	60,000
Sub-total	<u>858,000</u>
Contingencies	22,000
Total	<u>880,000</u> =====

The short-term technical assistance funded under this Amendment will be provided through a "buy-in" contract being adopted by RHUDO/SA as a regional effort with the South America A.I.D. Missions. Under this mechanism, the Mission may have access to a firm or a group of consulting firms with the capacity to provide the expertise in the areas targeted for technical assistance under the project.

The steps involved in the "buy-in" process have been established by RHUDO/SA in coordination with the Regional Contracting Officer, and are of easy application. (See Annex A for details).

2. End-of-Project Status

This Amendment modifies the EOPS listed in the original PP and PP Amendment No. 1, based upon CACEN's willingness to develop an action plan for a better housing finance system with the Superintendency of Banks. As a result, the following EOPS will be expected at the conclusion of the project:

- a) Improved managerial skills within S&Ls;
- b) increased role by CACEN in guiding, directing and supervising the S&Ls;
- c) trained cadre of individuals from S&Ls, CACEN and FONVI in areas of financial management, portfolio management and credit analysis;
- d) increased financing for low-cost shelter solutions and improvements; and
- e) improved FONVI capability to finance a larger segment of the low-income housing sector.

3. Monitoring and Evaluation

A monitoring and evaluation (M&E) system will be established under the Amendment to follow-up on the institutional evaluation conducted in November 1988 by PADCO. This M&E system will track progress of CACEN in achieving institutional improvements, reaching supervisory

goals over the S&Ls (with the Superintendency of Banks), achieving project goals and progressively reaching a point of self-financing its operations. The M&E system will generate information to answer two key management questions: Has CACEN implemented the necessary changes to effectively manage the S&L system and to attain financial and institutional self-sufficiency? and, How effective has the system been in reaching low-income families?

A secondary set of questions to be evaluated could be:

- How successful has the project been in incorporating other private sector financial intermediaries into the housing finance sector?

- Should the S&Ls, particularly those in remote areas, diversify their portfolio into productive lending?

- Has the training of S&L staff led to significant improvements in the provision and recuperation of credit?

- Have CACEN's services to S&Ls been effective?

- How effectively are CACEN, the S&Ls and the Superintendency relationships working together?

- Has the system grown in terms of the number of depositors and the volume of deposits?

An illustrative list of the activities that will be monitored is shown below:

a) Measures to achieve the financial viability of the S&L system:

(i) Develop an interest rate policy that permits full recovery of the costs of borrowing and administrative expenses.

(ii) Obtain the maximum return on investments.

(iii) Reduce loan exposure by developing a program of delinquency control and improved credit analysis.

(iv) Supervise the S&Ls effectively.

b) Develop a strategy to capitalize CACEN.

c) Develop an action plan for CACEN/S&Ls with the Superintendency of Banks.

d) Revise the personnel/administrative structure of CACEN.

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- e) Resolve the ongoing institutional conflicts among the S&Ls and CACEN.
- f) Implement the Incentive Compensation System developed through the PADCO technical assistance.
- g) Devise a financial and management strategy for the S&L System with the participation of the S&Ls.
- h) Improve the performance of S&L utilization of FONVI's resources.
- i) Review the interest rate structure for loans and deposits.
- j) Establish a drive within CACEN for a quick turnover of HG-007 funds.

Also, two workshops will be conducted to address conflict resolution issues among CACEN and the S&Ls. This will allow the Project to make periodic adjustments to improve performance. In addition, high-level workshops will take place between CACEN, the Superintendency of Banks, FONVI, the Ministry of Urban Affairs and the Central Bank of Bolivia. These meetings are necessary to improve the dialogue and coordination among all housing finance institutions in Bolivia. The Housing Advisors will be responsible for coordinating these workshops.

4. Women in Development

A team from the International Center for Research on Women (ICRW) will visit La Paz in August 1989 and will explore ways to increase women's access to the resources provided under the HG-007.

5. Logical Framework

A new logical framework summary is provided as Annex B.

IV. REVISED COST ESTIMATE AND FINANCIAL PLAN

A. Revised Life-of-Project Budget

A revised project budget is shown in Table 1. Under the current grant, a total of \$1,650,000 has been provided by A.I.D. With the Amendment, \$270,000 will be provided for technical assistance; \$30,000 for training activities; \$498,000 for project support, consisting of two PSC Housing/Financial Advisors; and, \$60,000 for two external evaluations and financial audits.

The host country contribution consists of the local counterpart to the project, by FONVI and CACEN and the S&Ls, and comprises the following: (a) \$40,000 to be provided in-kind by FONVI as counterpart for the activities related to the technical assistance and training program; (b) \$25,000 to finance in-country courses; (c) \$100,000 for the provision of equipment and furnishings for the S&Ls and CACEN; (d) \$150,000 will be provided by the S&Ls for a promotion campaign to attract new savings and to promote new services and products of the S&L system; and (e) \$530,000 will be provided in-kind for CACEN and S&L staff salaries to be incurred for activities directly related to the technical assistance and training program, and the implementation of the HG loan.

In addition to the above, but not shown in the revised grant budget, is approximately \$360,000 of funding that could be provided from the special A.I.D. Administrator's Fund for Private Sector Provision of Social Services. The request was submitted by RHUDO/SA to the LAC on June 30, 1989. If accepted, this will finance additional technical assistance to stimulate greater private sector participation in addressing the shelter needs of low-income urban families, including the feasibility of establishing a construction materials bank in the city of El Alto, through an agreement with the Cooperative Housing Foundation (CHF).

TABLE 1

LOP FINANCIAL PLAN
(US\$ or its equivalent)

	<u>Previous Budget</u>	<u>A. I. D. Amend. No.2</u>	<u>New Totals</u>	<u>GOB</u>	<u>S&L System</u>	<u>Grand Total</u>
1. Technical Assistance	1,137,566	270,000	1,407,566	-	-	1,407,566
2. Training	22,262	30,000	52,262	-	25,000	77,262
3. Commodities	88,340	-	88,340	-	100,000	188,340
4. Project Support	373,539	498,000	871,539	40,000	530,000	1,441,539
5. Promotion	-	-	-	-	150,000	150,000
6. Housing Policy	28,188	-	28,188	-	-	28,188
7. Evaluation & Audits	-	60,000	60,000	-	-	60,000
8. Contingencies	105	22,000	22,105	-	-	22,105
	<u>1,650,000</u>	<u>880,000</u>	<u>2,530,000</u>	<u>40,000</u>	<u>805,000</u>	<u>3,375,000</u>
	=====	=====	=====	=====	=====	=====

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B. Revised Disbursement Schedule

A revised disbursement schedule is shown in Table 2. Because funding for the current Housing Advisor already at post runs out before the new Amendment takes effect, approximately \$us31,000.00 of the funds estimated to be disbursed for Year 1 will be disbursed from July 1 to September 30, 1989.

TABLE 2

DISBURSEMENT SCHEDULE
(US\$ or its equivalent)

	<u>YEAR 1</u>		<u>YEAR 2</u>		<u>YEAR 3</u>		<u>TOTAL</u>	
	<u>FX</u>	<u>LC</u>	<u>FX</u>	<u>LC</u>	<u>FX</u>	<u>LC</u>	<u>FX</u>	<u>LC</u>
<u>I. AID GRANT</u>								
Technical Assistance:								
a) Short-term	30,000	-	120,000	-	120,000	-	270,000	-
Training	3,000	-	15,000	-	12,000	-	30,000	-
Project Support:								
a) USPSC long-term	124,500	-	124,500	-	-	-	249,000	-
b) USPSC long-term	-	-	124,500	-	124,500	-	249,000	-
Evaluations & Audit	-	-	30,000	-	30,000	-	60,000	-
Contingencies	-	-	11,000	-	11,000	-	22,000	-
Subtotal	157,500	-	425,000	-	297,500	-	880,000	-
<u>II. Host Country</u>								
<u>GOB</u>								
Proj. Support (FONVI)	-	-	-	20,000	-	20,000	-	40,000
Subtotal GOB	-	-	-	20,000	-	20,000	-	40,000
<u>II. S&L System</u>								
Training	-	5,000	-	9,000	-	11,000	-	25,000
Commodities	-	30,000	-	30,000	-	40,000	-	100,000
Promotion Campaign	-	30,000	-	60,000	-	60,000	-	150,000
Project Support	-	175,000	-	180,000	-	175,000	-	530,000
Subtotal S&L System	-	240,000	-	279,000	-	286,000	-	805,000
Total	157,500	240,000	425,000	299,000	297,500	306,000	880,000	845,000
	=====	=====	=====	=====	=====	=====	=====	=====

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V. REVISED IMPLEMENTATION PLAN

The implementation responsibilities of the Project remain essentially the same. CACEN will be the central implementing organization and will sign the project Grant Agreement Amendment. Its responsibilities will be to work closely with the technical advisors contracted under the Amendment and coordinate training activities to the S&Ls.

The project coordination in USAID/Bolivia will be provided through a USPSC based in the Private Sector Office. He will be responsible for monitoring the progress of all project components. In addition, another PSC will be contracted to oversee the financial/administrative restructuring of CACEN and the S&Ls, and he/she will assist the Mission to dialogue with the public and private institutions involved in housing finance.

All short-term technical assistance will be provided through RHUDO/SA buy-ins. An institutional contract will not be necessary given the reduced size of the Amendment and the fact that a second Housing Finance Advisor will be contracted to perform technical activities.

The USAID Executive Office will be responsible for assisting CACEN in the areas of contracting and buy-in support. The Office of the Controller will review all disbursement requests for conformity with A.I.D. regulations, ensure that appropriate accounting practices are followed by CACEN and the contracting organization, and coordinate audits. The Office of Development Planning and evaluation (DP) will coordinate all evaluations and training.

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A N N E X E S

ANNEX A

PROCEDURES TO BE FOLLOWED IN ORDER TO OBTAIN SERVICES UNDER
THE BUY-IN PROCESS PROPOSED IN THE AMENDMENT

A.I.D Missions interested in securing assistance and support under the RHUDO/SA contract should observe the following steps:

- a) Determine the technical assistance needs and measure these against the contract's SOW to assess whether a buy-in is merited.
- b) Contact RHUDO/SA's Cognizant Technical Officer (CTO) and present him or her with a preliminary SOW, approximate cost and commitment status of funding which Mission will transfer into contract.
- c) CTO assesses suitability of proposed buy-in and confers informally with the contractor to determine its feasibility and contractor's willingness and capability to respond.
- d) CTO informs Mission within 15 days whether buy-in is suitable and feasible.
- e) Mission decides whether to proceed with buy-in or not. If yes, it prepares PIO/T which includes a brief scope of work, level of effort (by category of personnel), performance period, logistic support, funding, and any special requirements deemed necessary by the Mission.
- f) Mission forwards PIO/T to the CTO and advises that funds have been validated by the Mission Controller and that PIO/T has been approved by Mission Director or authorized approving official.
- g) CTO reviews PIO/T to ensure suitability for buy-in including consideration of available remaining level-of-effort and dollar ceiling under the contract to allow for performance of buy-in, approves it, and then forwards it to the Regional Contracting Officer for South America (RCO/SA) in Quito.
- h) The RCO/SA reviews the PIO/T and notifies the CTO within 10 days whether the buy-in is acceptable for processing or not.
- i) Once determined acceptable to process, the RCO/SA prepares and executes the buy-in which involves a funding amendment to the contract, and authorizes via the CTO, for the contractor to proceed.

**PROJECT DESIGN SUMMARY
LOGICAL FRAMEWORK**

AID 1020-78 (7-71)
SUPPLEMENT I

(INSTRUCTION: THIS IS AN OPTIONAL
FORM WHICH CAN BE USED AS AN AID
TO ORGANIZING DATA FOR THE PAR
REPORT. IT NEED NOT BE RETAINED
OR SUBMITTED.)

Life of Project:
From FY 89 to FY 92
Total U.S. Funding _____
Date Prepared: July 1989

Project Title & Number: Low Cost Shelter Through the Private Sector

NARRATIVE SUMMARY	OBJECTIVELY VERIFIABLE INDICATORS	MEANS OF VERIFICATION	IMPORTANT ASSUMPTIONS
<p>Program or Sector Goal: The broader objective to which this project contributes:</p> <p>Improved shelter conditions for Bolivia's low income families.</p>	<p>Measures of Goal Achievement:</p> <p>Increased number of families with adequate housing. Improved quality of housing, e.g., access to basic infrastructure, connections to water and sanitation services.</p>	<p>CACEN and S&Ls statistical records. Ministry of Urban Affairs records. Special surveys of housing/shelter.</p>	<p>Assumptions for achieving goal targets:</p> <p>The S&L System is successful in effecting basic structural changes in its operations, so as to strengthen its long-run viability.</p>

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PROJECT DESIGN SUMMARY
LOGICAL FRAMEWORK

Life of Project:
From FY 89 to FY 92
Total U.S. Funding _____
Date Prepared: July 1989

AID 1970 28 (7-71)
SUPPLEMENT 1

Project Title & Number: Low Cost Shelter Through the Private Sector

NARRATIVE SUMMARY	OBJECTIVELY VERIFIABLE INDICATORS	MEANS OF VERIFICATION	IMPORTANT ASSUMPTIONS
<p>Project Purpose:</p> <p>Improved private sector performance at addressing shelter related needs of Bolivia's low income families.</p>	<p>Conditions that will indicate purpose has been achieved: End of project status.</p> <ol style="list-style-type: none"> 1. 19,000 subloans to below-median income families. 2. Increased amounts of FONVI's credit channeled through the S&L's. 3. S&Ls share of savings market will reach 9.5% by 12/89, 11.0% by 12/90 & 13.0% by 12/91. 4. 118,000 savings accounts in S&L System by 12/89, 150,000 by 12/90, & 170,000 by 12/91. 5. S&L portfolio increased to \$62.8 million in 1989, \$84.8 million in 1990, and \$96.0 million in 1991. 6. Improved S&L managerial practices in portfolio management, credit analysis and financial management. 7. Consolidating the FONVI role in housing/shelter financing for low-income housing. 8. Improved organizational structure of CACEN, including a supervisory unit of the S&L's. 9. Disbursement of \$15.0 million HG loan within new life-of-project. 	<p>CACEN & S&L periodic reports and records.</p> <p>Evaluations of project.</p> <p>Audit Section of CACEN duly staffed and responsibilities assigned.</p> <p>FONVI's reports and records.</p> <p>Consultant's reports on technical assistance implementation.</p>	<p>Assumptions for achieving purpose:</p> <p>Lower income (below medium income families) purchasing power is not so severely restricted as to preclude borrowing for housing needs.</p> <p>Cooperation exists between the GOB and S&L System.</p> <p>Defined plan of actions between CACEN and the Superintendency of Banks on the activities to strengthen CACEN's supervisory role over the S&Ls.</p> <p>Implementation of the \$15.0 million HG loan proceeding normally.</p>

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AID 1070 22 (7-71)
SUPPLEMENT I

PROJECT DESIGN SUMMARY
LOGICAL FRAMEWORK

Life of Project:
From FY 89 _____ to FY 92 _____
Total U.S. Funding _____
Date Prepared: July 1989 _____

Project Title & Number: Low Cost Shelter Through the Private Sector

NARRATIVE SUMMARY	OBJECTIVELY VERIFIABLE INDICATORS	MEANS OF VERIFICATION	IMPORTANT ASSUMPTIONS
<p>Project Purpose:</p>	<p>Conditions that will indicate purpose has been achieved: End of project status.</p> <p>10. Implementation of technical assistance and training program under amendment to grant.</p> <p>11. Expanded S&Ls lending activities in essential urban development services and other activities, such as registration of land titles of low-income beneficiaries.</p>		<p>Assumptions for achieving purpose:</p>

3/6

ANNEX B

PROJECT DESIGN SUMMARY
LOGICAL FRAMEWORK

Life of Project: _____
 From FY 89 to FY 92
 Total U.S. Funding _____
 Date Prepared: July 1989

AID 1020-78 (7-71)
 SUPPLEMENT I

Project Title & Number: Low Cost Shelter Through the Private Sector

PAGE 3

NARRATIVE SUMMARY	OBJECTIVELY VERIFIABLE INDICATORS	MEANS OF VERIFICATION	IMPORTANT ASSUMPTIONS
<p>Outputs:</p> <ol style="list-style-type: none"> 1. Improved managerial skills within S&Ls. 2. Increased role by CACEN in guiding, directing and supervising the S&Ls. 3. Trained cadre of individuals from S&Ls, CACEN and FONVI in areas of financial management, portfolio management and credit analysis. 4. Increased financing for low-cost shelter solutions and improvements. 5. Improved FONVI capability to finance a larger base of the low-income housing sector. 	<p>Magnitude of Outputs:</p> <ol style="list-style-type: none"> 1. Increasing number of persons trained in S&L operations. Testing of skills acquired will be performed. 2.(a) Delegation of responsibilities by the Superintendency of Banks. (b) CACEN charging for services performed to the S&Ls. 3. Improved S&Ls managerial practices. 4. Disbursements of \$15.0 million HG loan. 5.(a) Increased availability of loanable funds. (b) Increased participation of private sector in the intermediation of FONVI's funds. (c) Incorporation of informal sector as participants in FONVI's programs. 	<p>CACEN, S&L records of courses, seminars.</p> <p>Timetable of activities between CACEN and the Superintendency of Banks. CACEN's records.</p> <p>CACEN's reports and records.</p> <p>FONVI'S reports and records.</p>	<p>Assumptions for achieving outputs:</p> <p>CACEN's willingness to develop and implement an action plan with the Superintendency of Banks to ensure an improved operation of the S&L system.</p> <p>Proper identification of candidates with the proper credentials to be trainers in their own institutions.</p> <p>Continuity of FONVI as the main domestic source of funding for housing in Bolivia.</p>

PROJECT DESIGN SUMMARY
LOGICAL FRAMEWORK

Life of Project:
From FY 89 to FY 92
Total U.S. Funding _____
Date Prepared: July 1989

Project Title & Number: Low Cost Shelter Through the Private Sector

NARRATIVE SUMMARY	OBJECTIVELY VERIFIABLE INDICATORS	MEANS OF VERIFICATION	IMPORTANT ASSUMPTIONS
<p>Inputs:</p> <p><u>A.I.D.:</u></p> <ol style="list-style-type: none"> 1. Technical Assistance 2. Training 3. Commodities 4. Project Support 5. Evaluations and Audits 6. Contingencies 	<p>Implementation Target (Type and Quantity)</p> <ol style="list-style-type: none"> 1. Resources to finance 18 p/m TA from a US firm: \$270,000. 2. Resources to finance 100% of training cost: \$30,000. 3. Funds to cover project management: \$498,000. 4. Resources for two evaluations and audits: \$60,000. 5. Contingencies: \$22,000. 	<p>A.I.D., CACEN records.</p>	<p>Assumptions for providing inputs:</p> <ol style="list-style-type: none"> 1. A.I.D. and host country funding will be available. 2. CACEN's willingness to develop and implement an action plan with the Superintendency of Banks to ensure an improved operation of the S&L system.
<p><u>Host Country (CACEN, S&Ls):</u></p> <ol style="list-style-type: none"> 1. Training 2. Commodities 3. Project Support 4. Promotion 	<ol style="list-style-type: none"> 1. Resources to finance in-country courses: \$25,000. 2. Resources for equipment and furnishings S&Ls and CACEN: \$100,000. 3. Project support: \$570,000. 4. Resources to finance promotion campaign: \$150,000. 		

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CAJA CENTRAL DE AHORRO Y PRESTAMO PARA LA VIVIENDA

SISTEMA BOLIVIANO DE
AHORRO Y PRESTAMO
PARA LA VIVIENDA

***MUTUALES**

MUTUAL "LA PRIMERA"
Av. Mcal. Sta. Cruz No. 1364
Casilla 4807
LA PAZ

MUTUAL "GUAPAY"
Calle Sucre No. 165
Casilla No. 100
SANTA CRUZ

MUTUAL "LA PROMOTORA"
Calle España No. 8025 esq. Av. Heroínas
Casilla 908
COCHABAMBA

MUTUAL "EL PROGRESO"
Calle Cochabamba esq. Potosí No. 252
Casilla 532
ORURO

MUTUAL "TARIJA"
Plaza Luis de Fuentes s/n.
Casilla 127
TARIJA

MUTUAL "LA PLATA"
Calle España No. 17
Casilla 338
SUCRE

MUTUAL "POTOSÍ"
Plaza 6 de Agosto No. 11
Casilla 294
POTOSÍ

MUTUAL "LA PAZ"
Av. 16 de Julio No. 1521 esq. Bueno
Casilla 700
LA PAZ

MUTUAL "TRINIDAD"
Av. Germán Busch s/n
Casilla 99
TRINIDAD

MUTUAL "MANUTATA"
Calle Medrano Chavez s/n
Casilla 88
RIBERALTA

MUTUAL "PANDO"
Plaza Germán Busch
Casilla 213
COBIJA

MUTUAL "LA FRONTERA"
Calle Federico Román No. 908
GUAYARAMERIN

LA CAJA CENTRAL

AFILIADA A LA UNION IN-
TERAMERICANA DE AHO-
RRO Y PRESTAMO PARA
LA VIVIENDA UNIAPRAVI

ACCIONISTA DEL BANCO
INTERAMERICANO DE
AHORRO Y PRESTAMO -
BIAPE

AFILIADA A LA INTERNA-
TIONAL UNION OF
BUILDING SOCIETIES AND
SAVINGS ASSOCIATIONS
IUBSSA

Julio 20, de 1989

CITE: C.G. 22/2272

Señor
Reginald van Raalte
Director,
USAID/BOLIVIA
Presente

Señor Director:

REF.: Solicitud Ampliación Do-
nación 511-0567

Con el objeto de coadyuvar con la ejecución del programa de Vivienda del Sector Privado 511-HG-007, por la presente tenemos el agrado de solicitar a la Misión de su digna Dirección continuar con el programa de asistencia técnica y entrenamiento de la donación AID 511-0567.

Al presente el Sistema Boliviano de Ahorro y Préstamo para la Vivienda es la única institución privada de carácter mutualista que canaliza ahorros y recursos de fuentes internas y externas para financiar soluciones habitacionales en todo el territorio nacional a distintos sectores de la población, especialmente de las familias cuyo ingreso mensual está por debajo de la mediana nacional.

La ampliación del programa de asistencia técnica y entrenamiento nos permitirá mejorar notablemente nuestras políticas y procedimientos operacionales de manera de asegurar el éxito que perseguimos en nuestros planes de crecimiento y participación efectiva en la intermediación de importantes recursos nacionales destinados al financiamiento habitacional a través del Fondo Nacional de la Vivienda (FONVI).

Con éste motivo y confiando en que nuestra solicitud merezca su favorable atención, nos es grato reiterarle las seguridades de nuestra distinguida consideración.

Ernesto Wende
Ernesto Wende F.
PRESIDENTE

AID AMB DCM ECON

Rec'd 6/27

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DE RUEHC #2414 1772348
ZNR UUUUU ZZH
P 262346Z JUN 89
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TO RUEHLP/AMEMBASSY LA PAZ PRIORITY 0860
INFO RUEHQT/AMEMBASSY QUITO PRIORITY 6036
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UNCLAS STATE 202414

File: PD&I

LOC: 273 267
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CHRG: AID
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Action: PS
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Reply due 7/3

E.O. 12356:: N/A

TAGS:

Action tkn _____

SUBJECT: PRIVATE SECTOR LOW COST SHELTER PROJECT
AMENDMENT (511-0567) REVISED NEW PROJECT DESCRIPTION

REF: A) 88 STATE 190965 B) LA PAZ 07836

1: LAC BUREAU HAS REVIEWED THE MISSION S NEW PROJECT DESCRIPTION (NPD) FOR A THREE YEAR AMENDMENT TO THE PRIVATE SECTOR LOW COST SHELTER PROJECT. REF A APPROVED THE PREVIOUS NPD AT THE DOLS 450,000 LEVEL. AS WE UNDERSTAND IT, THE CURRENT NPD INCREASES LOP BY DOLS 430,000 TO COVER ADDITIONAL TECHNICAL ASSISTANCE, PROJECT COORDINATION SERVICES AND TRAINING COSTS. THE GOAL AND PURPOSE OF THE AMENDED PROJECT REMAIN UNCHANGED.

2. AID/W GIVES PROGRAM CONCURRENCE FOR THE MISSION TO APPROVE THIS AMENDMENT IN THE FIELD THIS FISCAL YEAR TO INCLUDE A THREE YEAR EXTENSION TO THE PACD.

3. NO CONGRESSIONAL NOTIFICATION IS REQUIRED FOR THIS AMENDMENT FOR THE FOLLOWING REASONS: LOP COST INCREASE IS LESS THAN DOLS 5 MILLION, THERE IS NO SUBSTANTIVE CHANGE IN THE PURPOSE OF THE PROJECT AND TN NO. 204

WHICH EXPIRED MAY 6 COVERED PLANNED FY 1989 OBLIGATION OF DOLS 300,000. BAKER

BT
#2414

NNNN