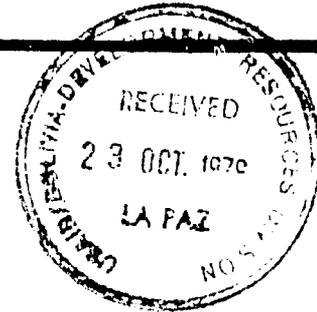


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SEMI-ANNUAL REPORT
CONTRACT ENTER INTO BETWEEN EL BANCO CENTRAL DE BOLIVIA
AND
SERVICIOS TECNICOS DEL CARIBE

February, 1979
CONTRACT NO. GOB/AID 511-104

SERVICIOS TECNICOS DEL CARIBE

APARTADO NUM. 3029
SAN JUAN, PUERTO RICO 00903
TELEFONO 725-3325

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INTRODUCTION

As of January 28, 1979 the Government of Bolivia and the Government of the United States of America entered into a technical and financial agreement through which the "Programa de Agro-industrias y Artesanías y el Fondo de Asistencia Técnica" was created. As an outcome of this agreement Requests for Proposals were published and Servicios Técnicos del Caribe was selected to assist the project through one Advisor. The selection was also approved by USAID. Mr. Miguel A. Rivera was selected to provide the technical assistance. The Advisor started operations in La Paz, Bolivia on July 2, 1978. The Central Bank is the government institution entrusted with the responsibility of the administration of the Program A & A and FAT as per D.S. 15282.

Scope of Work

The A & A Program has received an appropriation of US\$9 millions (\$6 contributed by USA/Bolivia and US\$3 contributed by the Government of Bolivia (Central Bank). The program is under the Banco Central de Bolivia. It is a five-year program.

It is the objective of the "Programa de Agro-industrias y Artesanías to increase the income and improve the level of living of the small farmer and of the low income families in general through a promotion and financing program. This promotion and financing program is intended to improve the marketing of the products directly or indirectly related to the low income farmers including assisting those that contribute with inputs needed by the agro-industrial development program.

The technical assistance program with funds in the amount of US\$400,000, was created with a contribution of 50/50 by the Banco Central and USAID/Bolivia. The idea of this fund is to provide assistance in pre-investment, implementation, training, information and to establish contracts between the development programs and the Banco Central de Bolivia.

To carry on the purposes of the Programa de Agroindustrias y Artesanías, the following Plan of Work was prepared.

Promotion

- a) Promotion of the Program through the Regional Technical Offices of the Banco Central of Bolivia, Branches, Intermediate Credit Institutions and other institutions interested in participating in the program.

- b) Publishing a Quarterly Information Bulletin for the "ICI's , collaborating institutions,"OTR" and sub-borrowers. The Bulletin is called to provide information on the project implementation and activities carried out under the technical assistance team.

Technical

- a) Processing rediscounts
- b) Supervision of rediscounts loans
- c) Bringing up to date of operating manuals including regulations, procedures and evaluation of results
- d) Implementing and annual operating plan
- e) Approving "ICI's" participants and personnel training

Operations

- a) Keeping statistical and accounting records on disbursements collections and evaluation information
- b) Preparing reports on the financial status of the project
- c) Preparing reports on the situation as to loans approved, disbursements, collections etc., etc.

Evaluation

- a) Carry on the evaluation of the project in the light of its objectives, including the following factors:
 - 1) Benefits received by the group
 - 2) Creating employment
 - 3) Regional distribution of loans
 - 4) Distribution of loans by groups according to amount limit
 - 5) The effects of technical assistance
 - 6) Distribution of loans by participating institutions
 - 7) Distribution of loans by objectives (new enterprises, expansion, modernizing)
 - 8) Economic impact of the project (value added, generating foreign exchange funds)
- b) Developing a semi-annual evaluation of the activities of the project
- c) Carry on special studies related to the project and making recommendations to improve its effectiveness.

Technical Assistance Fund

- a) Organizing, coordinating, supervising and negotiating contracts for exploring and identifying activities or projects in collaboration with the banking community
- b) Processing application and requests for technical assistance
- c) Administration of the Pre-investment funds
- d) Organizing and coordinating training courses for participating institutions and borrowers
- e) Organizing and coordinating seminars
- f) Collecting and publishing lists of marketing contracts, sources of appropriate technology and consultants
- g) Keeping records and preparing reports on the financial situation and operations of the technical assistance fund

Rediscount Procedures

The Advisor shall work regularly with all the offices of the Banco Central that in some way have to do with financing or guarantee, to assist in improving administration and operations and in developing a uniform system for rediscount and procedures in general.

DIFFICULTIES IN THE DEVELOPMENT
OF THE PROGRAM

Though we must recognize that 6 months is a very short period in an agro-industries and handicraft development program. It is of interest and importance to stop and look into what we have been doing, examine where we are. The results will be positive if we do this first inquiry with the purpose of mobilizing efforts to continue with ever increasing interest finding our way to discharge the duties and responsibilities that have been assigned to us. This means learning from past experience, which is always a good thing to do. It goes without saying that achieving a sustained growth in national production, creating new employment opportunities increasing income and improving the living conditions of low income families requires great efforts and determinations.

These developments do not take place spontaneously.

Under these circumstances, there must exist unity of purpose and unity of action, the will to do, and dedication beyond the call on duty. These are necessary ingredients for the success of this type of undertaking. This is not a light assignment.

We are making these generalizations because during the first six months of operations, the absence of some of the above mentioned ingredients is noticeable. The development of this kind of programs is slow, but it should not be slower than the dictates of its nature justifies. We understand that starting of the program shall be slow but it needs not be as slow as it has been experienced

during the first 6 months of the presence of the Advisor in Bolivia.

It is not enough to have a clear public policy orienting part of the economic development program along the lines of this project. It is not enough to have a clear and well-oriented institutional policy as we find in the Banco Central de Bolivia at the top echelon. This is necessary, no doubt, but experience tells us that the success or failure shall depend, to a large extent, on officers at a lower level of authority and responsibility. In the agro-industries program, at those lower levels, there has been, at least, a high degree of indecision and procrastination, during the first stage of the project. It would be easy to blame the government sector for the situation, but we refuse to do it - the Advisor is also called to carry his share of responsibility.

Constraints observed during the first six months:

- 1) The promotion of the program has been very limited. It could have been broader and more intensive
- 2) The approach to the commercial banking community, on which the program is counting heavily for its success, has been very slow and timid
- 3) The efforts to meet "preceding conditions" as established in the Agreement with USAID, have been limited and not as enthusiastic and purposeful as is necessary in these cases

- 4) The limitations of the Counterpart in solving problems and facing difficulties in promoting the program

It must be said that the impact of the international crisis has also affected Bolivia curtailing economic growth. The program shared the impact.

We wish to take advantage of this opportunity to mention some of the problems raised by the commercial banks, which we feel deserve examination:

- 1) During the first promotion meetings, the commercial banks suggested that the proportion of the participation of the Central Bank be greater than the prevailing.
- 2) An increase in the rate of interest was recommended.
- 3) Every once in a while they mentioned the slow processing of refinancing applications in previous programs and the hopes that his program will be more efficient.

Achievements of the Programs
Agro-industries and Handcraft and Technical
Assistance Fund

Agro-industries and Handcrafts Program

During the past six months, the promotion program planned was carried out in La Paz and in other parts of the country. The Intermediate Credit Institutions (ICI's) participating were as follows, by Departments:

La Paz

Banco de La Paz
Banco de Potosí
Banco de Crédito Oruto
Banco Popular del Perú
BIG - Beni
Banco Mercantil
Banco de Santa Cruz
Banco de Cochabamba
Banco Hipotecario Nacional
Banco Nacional de Bolivia
Banco del Estado

Sucre

Banco de Potosí
Banco Popular de Perú
Banco de Cochabamba
Agro-Central
Banco del Estado
AGLC

Cochabamba

Banco Boliviano-Americano
Asociación de Bancos en representación
del 11 ICI's

The Advisor assisted in preparing promotion documents such as: "El Exito en la Administración de la Pequeña Empresa" and "Aspectos a Considerarse para Iniciar una Agroempresa o Artesanía".

Promotional approaches were started before supporting institutions like INBOPIA and AMERINDIA, with the purpose of promoting their participation as a link between the intermediate Credit Institutions and the business sector in agroindustries and handcraft trade.

Meetings were held with the "Asociación de Bancos Privados de Bolivia" at the Operations Manager level so as to promote the use of funds available in the program. They were also informed of the massive training and promotion program contemplated by the Banco Central de Bolivia.

The following representatives from the Intermediate Credit Institutions participated:

- 1) Lic. Carlos Gumunicio - BLP
- 2) Lic. Efraín Morales - BBA
- 3) Lic. Felipe Escalante)
- 4) Lic. Jesús Raposo) Banco do Brasil
- 5) Lic. Remberto Martínez - BAFINSA
- 6) Lic. Lionel Claude - Banco Industrial
- 7) Lic. Filiberto Ugalde - BIG, Beni
- 8) Lic. H. Miranda - BIG, Beni
- 9) Lic. Alfonso Mollineda - BHN
- 10) Lic. Mario Galleguillos - Banco Mercantil
- 11) Lic. Reynaldo Cardozo - Banco Mercantil
- 12) Lic. Mario Saravia - BNB
- 13) Lic. Jorge Harriague - BNB

Proposals were requested for the selection of the firm to be entrusted with the production of the promotion film. It shall be a 10 - 15 minutes film and shall be shown nation-wide.

The Technical Assistance Fund

A brochure was prepared for the Quarterly promotion publication. It includes:

- 1) Editorials
- 2) Information on lines of refinancing offered by the Banco Central de Bolivia
- 3) Suggestions and Recommendations from the Intermediate Credit Institutions
- 4) Stories of real cases and the opinions of borrowers
- 5) The transfer of adequate technology
- 6) Seminars on technical cooperation offered by national and international institutions
- 7) Technical publications
- 8) Calendar of activities

The outlines for the seminars for training on the Operating Manuals of the Agroindustries, Handcraft and Technical Assistance Programs, were presented.

The Advisor assisted his Counterpart and other officials of the Development Department on the preparation of the request for proposals - economists, engineers, agronomists, industrial engineers, financial analysts and others. The idea is to have a roster of technicians that could be available to assist borrowers through the Technical Assistance Fund.

The Advisor visited the Department of State of the Commonwealth of Puerto Rico (Mr. Enio Miranda) with the purpose of designing a scholarship's program for four technicians of the Development Department who are directly related to the Agroindustries Program both in La Paz and Bank Branches.

During November 27, 28 and 29, 1978 the Seminars sponsored by the Centro de Capacitación, Banco Central de Bolivia, were started. The participants are members of the Regional Technical Offices of the Bank. The Seminars include training on the contents of the Operation Handbook, interpretation of questionnaires and others important items.

Participants

- 1) Silvia Romero de Vélez, Sucre
- 2) Oscar Romero, Tarija
- 3) Carlos Flores, Trinidad
- 4) Raúl Ballón, Cochabamba
- 5) Héctor Villaroel, BCB
- 6) Raúl Vega Rodríguez, BCB
- 7) José Torrico, BCB
- 8) Alex Zegarra, BCB
- 9) Carmen Carranza, BCB
- 10) Carlos Bustamante, BCB

The Advisor, Mr. Miguel A. Rivera participated actively in the training sessions.

From December 4 to 8, 1978, seminars were held at the Instituto de Educación Superior Bancario with, Mr. Hugo Ossio as moderator. Operations managers from the Instituciones de Crédito Intermediarias participated.

Subjects covered:

- 1) The Philosophy of the Refinancing Fund of the BCB and the Bolivia Economic Development Plan
- 2) Economic, Financial and Social Impact of the Refinancing Fund, 1967-1975
- 3) The Instituciones Intermediarias de Crédito and their Relation with the Refinancing Fund
- 4) The Technical Assistance Fund, the "Programa de Agroindustrias y Artesanías" and the Production Credit Program - their relationship with the refinancing fund of the Banco Central de Bolivia

The seminar served very well its purpose: training, motivating and integrating the private banking sector and the development programs sponsored by the Banco Central de Bolivia particularly the "Programa de Agroindustrias y Artesanías and the Fondo de Asistencia Técnica"

At the request of Mr. Luis Vizcarra, General Manager of the Banco Hipotecario, the seminar shall be repeated at the Credit Manager level during January 1979.