

BOLIVIA
CREDIT AND TECHNICAL ASSISTANCE SERVICES
FOR RURAL MICROENTERPRISES

(SP/TC-99-06-03-0-BO)

EXECUTIVE SUMMARY

Requester:	Catholic Relief Services-Bolivia (CRS)								
Executing agency:	Catholic Relief Services-Bolivia (CRS)								
Co-executing agencies:	Acción Cultural Loyola (ACLO) Fondo de Desarrollo Comunal (FONDECO) Programa de Estudios y Apoyo Productivo/Fondo de Crédito Solidario (PEAP/FONCRESOL)								
Amount and source:	<table> <tr> <td>IDB: Financing:</td><td>US\$225,000</td></tr> <tr> <td>Technical Cooperation</td><td>US\$225,000</td></tr> <tr> <td>Local (cash) (CRS):</td><td>US\$380,000</td></tr> <tr> <td>Total:</td><td>US\$830,000</td></tr> </table> <p>The financing will be drawn on the Fund for Special Operations (FSO) in foreign currency, and the technical-cooperation funding will derive from the Swedish Fund for Financing Activities of Microenterprises and Small Business in Bolivia.</p>	IDB: Financing:	US\$225,000	Technical Cooperation	US\$225,000	Local (cash) (CRS):	US\$380,000	Total:	US\$830,000
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Financial terms and conditions:	<table> <tr> <td>Amortization period:</td><td>10 years</td></tr> <tr> <td>Grace period:</td><td>3 years</td></tr> <tr> <td>Disbursement period:</td><td>42 months</td></tr> <tr> <td>Interest rate:</td><td>1% (in Bolivianos)</td></tr> </table> <p>The rate of interest charged will be subject to application of a maintenance-of value factor based on changes in the consumer price index (CPI) over the last six months, annualized and using information provided by the National Statistics Institute (INE).</p>	Amortization period:	10 years	Grace period:	3 years	Disbursement period:	42 months	Interest rate:	1% (in Bolivianos)
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Objectives: The overall objective of the program is to improve quality of life for families in rural areas by generating income, increasing agricultural productivity and giving women a say in decision-making.

The specific objectives are to: (i) improve access to credit for low-income groups in the rural areas of Tarija and Potosí by establishing self-sustaining savings and loan services, especially those aimed at women; (ii) increase agricultural production and earnings of small farmers with little or no income in rural areas of Tarija and Potosí by providing agricultural extension services which meet the needs and priorities of local communities, and which incorporate a cost-recovery mechanism to ensure they are self-supporting; and (iii) provide strengthening for three Bolivian NGOs so that they are able to manage the credit and agricultural extension services on an ongoing basis.

Description: The program proposes to combine a self-sustaining rural credit facility with farm management advisory services to meet local demand for agricultural assistance. It will include a financial services component and a component for non-financial agricultural management services, each to be carried by a separate co-executing agency acting in a coordinated and complementary manner in order that clients may benefit from the two components simultaneously. Activities under the financial services component will be carried out by FONCRESOL in Potosí, and by FONDECO in Tarija; and the non-financial services will be provided by ACLO in both of these departments.

Clients will pay the actual costs for financial and non-financial services alike, and loans will be made to individual production units as a whole, according to the client's needs and requirements. The farm management extension services will be designed on the basis of local demand studies, and participants will be free to select the package of services most appropriate to their needs.

Financial services: The program will provide access to credit for residents of the neediest rural areas of Tarija and Potosí through the establishment of 96 village banks [bancos comunales] and 21 village banks *plus* [bancos plus] which will serve close to 3,000 clients, 80% of whom will be women. The village bank approach is recognized as a mechanism for reaching organized groups of microentrepreneurs among the lowest-income strata of the economy in order to provide short-term loans in smaller amounts and with group guarantees. A village bank is in fact a group of 20-30 jointly responsible individuals who have formed an association which enables them to provide loans of US\$100-200 to each member, with repayment periods of 6-8 months. The amount of credit available increases with each cycle of loans up to a maximum of approximately US\$500 each. The members