

DOCUMENT OF THE INTER-AMERICAN DEVELOPMENT BANK
MULTILATERAL INVESTMENT FUND

BOLIVIA

**PROMOTION OF LOCAL DEVELOPMENT AND TRAINING OF
RURAL MICROENTERPRISE SERVICE PROVIDERS**

(BO-M1031)

DONORS MEMORANDUM

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ABBREVIATIONS

AWP	Annual work plan
FHI/Bolivia	Food for the Hungry International, Bolivia
PCR	Project completion report
PPMR	Project performance monitoring report
RMSP	Rural microenterprise service provider

BOLIVIA
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SERVICE PROVIDERS
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I. EXECUTIVE SUMMARY

Beneficiary country:	Bolivia
Executing agency:	Food for the Hungry International, Bolivia (FHI/Bolivia)
Beneficiaries:	The project beneficiaries will be: approximately 115 service microenterprises and the governments of eight local municipios: Tapacarí and Capinota in Cochabamba Department; Ocurí, Ravelo, and Torotoro in Potosí Department, and Padilla, Sopachuy, and Tomina in Chuquisaca Department.
Financing:	Modality: MIF-nonreimbursable US\$ 845,000 (69%) FHI/Bolivia: US\$ 387,000 (31%) Total: US\$1,232,000 (100%)
Objectives:	The goal of the project is to promote rural private sector development with a particular focus on the departments of Cochabamba, Chuquisaca, and Potosí. The purpose is to strengthen rural microenterprise service providers (RMSPs) and help them gain a foothold in local markets through public-private initiatives.
Execution timetable:	Execution period: 42 months Disbursement period: 48 months
Special contractual clauses:	Conditions precedent to the first disbursement of MIF funds: evidence that (i) the project coordinator has been hired; (ii) the project Operating Regulations have entered into force; and (iii) the annual work plan is in place for the first year.
Exceptions to Bank policy:	None.

**Coordination
with other
official
development
finance
institutions:**

This operation will coordinate with other projects FHI/Bolivia is executing in the project's area of influence using international funding, including funds from the United States government.

**Environmental
and social
review:**

The project was classified as category C in accordance with the Bank's Environment and Safeguards Compliance Policy, and was approved by the Committee on Environment and Social Impact (CESI) on 21 September 2007 (meeting 31-07).

II. BACKGROUND

A. Local development of rural municipios in central Bolivia

- 2.1 Popular participation and decentralization have made significant gains in Bolivia in the last decade, resulting in booming economic development for municipios (local governments) on several fronts. In many cases, the gains have translated into infrastructure improvements in roads (new or improved roads), productive infrastructure (irrigation systems and bulking facilities), basic sanitation infrastructure (water supply systems) and physical infrastructure for tourist attractions. Weak or incipient resource management capacity has, however, prevented some municipios from consolidating a business model to promote development of the rural private sector and generate positive results for the very poor. This is the case in the municipios of Tapacarí and Capinota in Cochabamba Department; Ocurí, Ravelo, and Torotoro in Potosí Department, and Padilla, Sopachuy, and Tomina in Chuquisaca Department.¹
- 2.2 At the same time, although agriculture continues to be the principal economic activity for all of these municipios, participation in this activity has fallen by 31% in the municipios of Sopachuy, Tomina, and Padilla, and by 22% in the other municipios, clearly indicating that agriculture tied to the use of natural resources cannot continue to sustain the growing population for long (2.9% average annual growth) unless alternative jobs are created in other sectors of the economy or agricultural production is diversified toward greater added value. It is important that enterprises and sources of jobs be created beyond the strictly agricultural sector to invigorate rural markets, particularly if they are linked to the agricultural supply chain, rural services, and Bolivia's economic corridors.
- 2.3 Rural ventures, not necessarily related to the agricultural sector, have been held back by lack of stimulus from local governments, which have been unable to create a business climate conducive to investment. In addition, many municipios are experiencing serious difficulties in their public bidding and contract award processes,² delaying budget execution and indirectly affecting their investment decisions, government purchases, and the contracting of local services.

B. Weaknesses in service delivery in rural areas

- 2.4 **Road infrastructure.** The municipio of Ravelo estimates that there are approximately 150 kilometers of highways that link agricultural production to the principal cities in the departments of Sucre, Potosí and Oruro, and that maintenance of these arteries is essential to the commercial flow of products. There are also an

¹ In Tapacarí, Ocurí, Ravelo and Torotoro, the incidence of poverty is 98%, and in Capinota it is 85%. With the exception of Capinota, the other municipios are in the bottom quartile of the Human Development Index (HDI).

² Extracted from the Sistema de Información de Contrataciones Estatales [public procurement information system] (SICOES) (www.sicoes.gov.bo). The percentage of bidding processes resulting in contracts being awarded is under 50% in all municipios except Padilla.

unquantifiable number of secondary roads that have less commercial importance, yet are socially significant. Currently, routine maintenance of these roads is limited to cleaning, which does not preserve the roads' condition or adequately maintain them. Extrapolating these data to the other seven municipios leads to the conclusion that about 1,200 kilometers of roads require maintenance twice a year (before and after the rainy season).

- 2.5 **Tourism infrastructure.** Torotoro and Sopachuy are investing heavily in tourism infrastructure, having recently declared themselves “tourism municipios.” However, these investments are not being coordinated with a plan for local private sector tourism development to directly benefit the rural inhabitants where the attractions are located. Many of these investments fail to take account of the social capital of the workforce, particularly the underutilized youth population, by creating sources of jobs and income through environmentally friendly activities so as to lower the high rates of migration to urban areas and neighboring countries.
- 2.6 **Irrigation and production infrastructure.** Over the last five years, the NGO Food for the Hungry International, Bolivia (FHI/Bolivia) has developed an irrigation infrastructure consisting of 28 irrigation systems covering 250 hectares. A comparable number of irrigation systems are also implemented by other institutions. Each irrigation system has developed its own organizational structure for operation and maintenance according to concepts of campesino water management, but neglecting matters relating to management and administration of the infrastructure. The eight municipios are also currently developing seven agricultural product supply chains—amaranth, beans, onions, peanuts, maca, potato seed and chili pepper—with coordinated support from various institutions such as Market Access and Poverty Alleviation (MAPA), Fundación para el Desarrollo Tecnológico Agropecuario de los Valles [Foundation for Technical Agricultural Development of the Valleys], local governments, and FHI/Bolivia. These supply chains require a number of services to provide inputs, processing, and marketing.

C. **Rationale**

- 2.7 The central problem identified in the eight municipios is **the lack of development of the rural services market** beyond the traditional producer microenterprises. Although access to rural microcredit was instituted by many institutions several years ago, this alone has not improved the situation. The need to maintain the road infrastructure, the potential to strengthen the existing tourism infrastructure, and the possible links to the area's value chains present a clear opportunity for development of rural microenterprise service providers (RMSPs) to serve these sectors. In addition, traditional microenterprises involved in production, manufacturing, and agriculture have been unable to create enough jobs to provide opportunities for the youth population and prevent migration to urban centers and counter the high rates of poverty in those municipios. This MIF proposal addresses these problems by developing RMSPs focusing on local and territorial development. Specifically, the project will: (i) strengthen microenterprises through competitive processes linked to typical rural activities; (ii) promote private-sector development in the rural services

sector through actions the municipios can easily replicate; (iii) consolidate a favorable business environment in agricultural and non-agricultural activities through linkages between microenterprises and the public and private sectors; and (iv) capitalize on the MIF's experience in private-sector development and FHI/Bolivia's experience in rural development to directly tackle barriers to development of the rural private sector. This project is part of the MIF's local economic development cluster.

III. OBJECTIVES AND COMPONENTS

- 3.1 The goal of the project is to promote rural private sector development, with a particular focus on local development in the departments of Cochabamba, Chuquisaca, and Potosí. The purpose is to strengthen the rural microenterprise service provider (RMSP) sector and help it gain a foothold in local markets, with support from public-private initiatives.
- 3.2 The 115 beneficiary RMSPs will generate an estimated 500 permanent jobs and indirectly benefit approximately 11,900 persons residing in the eight municipios: Tapacarí and Capinota in Cochabamba Department; Ocurí, Ravelo, and Torotoro in Potosí Department, and Padilla, Sopachuy, and Tomina in Chuquisaca Department.
- 3.3 **Component I: Training and strengthening of RMSPs. (MIF: US\$486,610; FHI/Bolivia: US\$270,400).** The objective of this component is to provide the RMSPs with the business capacity to provide services to the productive sector and for social-rural infrastructure. It includes the following activities: (i) promote business ventures and entrepreneurship in the areas covered by the project; (ii) identify the beneficiary RMSPs and develop a baseline; (iii) support preparation of the RMSPs' business plans; (iv) provide on-site training and advising in business management (administration, accounting, negotiation, quality culture, business relationships, governance, empowerment, environment); (v) provide specialized training for RMSPs in technical topics; (iv) support formalization of RMSPs; and (vii) assist the RMSPs in securing financing.
- 3.4 In order to promote entrepreneurship, workshops will be conducted, adapting the International Labour Organization (ILO) "Know about Businesses" (KAB) and "Start and Improve Your Business" (SIYB) methodologies. These workshops will be coordinated with local governments in order to involve them in the project. The beneficiary RMSPs will be selected on the basis of basic criteria previously agreed on with the Bank. Qualifying RMSPs will receive on-site training and advice from specialists in business management, including classroom workshops and exchanges of experience on various business management topics.
- 3.5 This component also includes specialized training according to the type of RMSP in question. A preliminary analysis of the project area and potential participants identified the following potential areas of training: management of agricultural irrigation systems, water services management, operation and maintenance of water

- systems, tourism and ecotourism services, road maintenance services, bulking and processing services, agroforestry services, and other rural services.
- 3.6 To facilitate the RMSPs' access to fresh funds for expanding their investments and increasing their working capital, US\$100,000 from the local counterpart will be placed in a trust fund with a financial institution under an interagency agreement authorizing the institution to loan the funds exclusively for the activities of the RMSPs that qualify for financing, in order to ensure proper administration and use of the funds.
- 3.7 The expected outcomes of Component I are that at least 70% of the participating RMSPs are formalized and apply business management tools, and 30% of the RMSPs gain access to adequate financing on a timely basis.
- 3.8 **Component II: Territorial and commercial linkage of the RMSPs. (MIF: US\$79,490; FHI/Bolivia: US\$45,600).** The purpose of this component is to enable the RMSPs to consolidate the services they deliver in their respective areas through a strategy of marketing support and assistance in gaining access to markets. To this end, a series of events will be organized in each municipio with the public and private sector in order to encourage business ties. At the same time, promotional strategies will be implemented for each type of RMSP, so they can promote their image and the services they offer. Temporary consultants will provide advice and training in negotiating techniques, contract development, and access to public bidding processes. Promotional materials will also be provided to the RMSPs.
- 3.9 The expected outcomes of Component II are: (i) at least 80% of the RMSPs will have provided services to public or private entities under a formal contract in the established territory; (ii) the RMSPs will achieve an average of at least 70% of the sales volumes projected in their business plans; and (iii) at least 80% of the RMSPs perform their service contracts.
- 3.10 **Component III: Support for managing local business development. (MIF: US\$116,000).** The objective of this component is to provide local governments with operational management capacities geared toward local productive development. The following activities will be conducted: (i) training and advice to municipal governments in planning, environment and municipal management, focusing on the rural private productive sector; (ii) support to municipios in incorporating "productive municipio" concepts; (iii) advice and training in procurement processes; and (iv) creation of venues for public-private consultation in rural areas to strengthen the productive fabric.
- 3.11 Consulting services will be provided to the municipios to strengthen their capacity to incorporate and apply "productive municipio" concepts through periodic assistance. This will promote the creation of local economic development units within local governments and the creation of consultation venues for producer associations that are linked to the municipios to achieve joint public-private actions in the medium term. Specialized training and advice will also be provided to

- municipal governments in environmental matters through specific, short-term consulting assignments tailored to the needs of each municipal government.
- 3.12 The expected outcomes of this component are: (i) at least one public-private business partnership is established in each of the eight municipios; (ii) through the end of the project, each municipio incorporates and implements measures in its annual plans to support the productive sector; and (iii) beginning in the second year, each municipio contracts the services of at least one RMSP each year.
- 3.13 **Component IV: Processing and dissemination of experiences and lessons learned (MIF: US\$19,500; FHI/Bolivia: US\$15,600).** The objective of this component is to make other local governments aware of the experiences and benefits gained from the project. The following activities will be conducted to that end: (i) implementation of a monitoring system for the project and the RMSPs; (ii) documentation of project outcomes; (iii) preparation of materials for dissemination; and (iv) public events to disseminate project outcomes.
- 3.14 The monitoring system will be designed based on the experiences of FHI/Bolivia, considering project needs and applicability to the RMSPs. Monitoring forms will be designed, primary information will be collected, and twice a year success stories will be posted on the FHI/Bolivia website. A specialized consultant will be hired to design and edit the project report, to publish project experiences. Events will be held to disseminate experiences, lessons learned, and project outcomes.
- 3.15 At the end of the project, at least three additional municipal governments are expected to express interest in replicating the local initiatives and local development strategies focusing on production.

IV. COST AND FINANCING

- 4.1 The total project cost is budgeted at US\$1,232,000, of which the MIF would contribute US\$845,000 (69%) in nonreimbursable funds, and FHI/Bolivia would contribute US\$387,000 (31%) as the local counterpart, at least 50% of which would be in cash. The local counterpart funds come from FHI/Bolivia resources and from programs executed by FHI/Bolivia with other financing. The projected budget is presented in the following chart.

Project costs (in U.S. dollars)

	MIF	FHI/Bolivia	Total	%
Component I. Training and strengthening of RMSPs	486,610	270,400	757,170	61.5
Component II. Territorial and commercial linkage of the RMSPs	79,490	45,600	125,090	10.2
Component III. Support for managing local business development	116,000	0	116,000	9.4
Component IV. Processing and dissemination of experiences and lessons learned	19,500	15,600	35,100	2.8
Executing agency operating and administrative expenses	91,800	55,400	147,200	11.9
Audit and evaluation	27,000	0	27,000	2.2
Impact assessment	4,200		4,200	0.3
Cluster	15,000		15,000	1.2
Contingencies	5,400	0	5,400	0.4
Total	845,000	387,000	1,232,000	
Percentage	69%	31%	100%	100.0

- 4.2 **Sustainability:** The RMSPs are expected to be sustainable, covering their costs, and generating profit for reinvestment and for expanding and creating jobs, since project activities will strengthen their knowledge of business management, negotiating techniques, and other technical areas relevant to the needs and size of each RMSP. This will enable them to build business relationships in the public and private sector in their own municipios and others that require their services. The project will focus its efforts on managing the quality of services offered by the RMSPs as a strategy for having a competitive advantage in the local market. FHI/Bolivia will work to persuade local governments to include support for the consolidated RMSPs in their annual budgets.
- 4.3 At least one year before the end of the execution period, the project will hold a sustainability workshop with representatives of the Bank, FHI/Bolivia, the municipios and other stakeholders to be agreed, to evaluate progress and identify the measures and actions necessary to ensure that the project's activities are continued after funding has ended.

V. EXECUTING AGENCY AND EXECUTION MECHANISM

- 5.1 The executing agency will be Food for the Hungry International, Bolivia (FHI/Bolivia), which has been active in Bolivia since 1971 and has field offices in La Paz, Cochabamba, and Sucre. FHI/Bolivia conducts its overall work through three programs: (i) Natural Resources and the Environment; (ii) Health, Water, and Sanitation; and (iii) Income Generation. In 2008, FHI/Bolivia will begin implementing the Income Generation program in the municipios of Tomina, Sopachuy and Padilla, in Chuquisaca Department, with funding from the

- U.S. Department of Agriculture, to leverage resources with farmers to build bulking and processing centers for RMSPs involved in those activities.
- 5.2 FHI/Bolivia will manage the project from its central office. It will be supported by a project coordinator and administrative accounting assistant, financed from the contribution, and a part-time administrator assigned by FHI/Bolivia. The project coordinator will report to the FHI/Bolivia director and coordinate the work of consultants to be hired for the project. Operational work at the field level will be divided into three zones: Sucre regional, Chuquisaca center regional and Cochabamba regional, which includes the Potosí municipios. A part-time staff member responsible for each sector will be assigned by FHI/Bolivia. The project coordinator will work closely with FHI/Bolivia regional managers to ensure smooth performance of project activities and coordination with other activities of the executing agency in these zones. Work will be conducted in coordination with the local governments of the municipios where the project is operating, to strengthen their management capacity based on “productive municipio” criteria and promote local RMSPs. Coordination agreements are expected to be signed with the municipios to delineate specific areas of coordination and cooperation with the project.
- 5.3 **Execution period.** The project execution period will be 42 months, and the disbursement period will be 48 months.
- 5.4 **Procurement.** Goods and non-consulting services will be procured in accordance with the Policies for Procurement of Works and Goods Financed by the Inter-American Development Bank (document GN-2349-7). The shopping method may be used if the estimated cost of goods and non-consulting services is less than US\$30,000 equivalent per contract. Also, direct contracting may be used for amounts less than US\$2,000, pursuant to the 8 August 2006 MIF memorandum.
- 5.5 **Revolving fund.** A revolving fund will be created with up to 10% of the MIF contribution.
- 5.6 **Contracting of consultants.** Consultants will be selected and hired in accordance with the Policies for the Selection and Contracting of Consultants Financed by the Inter-American Development Bank (document GN-2350-7). Direct selection may be used to hire individual consultants to give training courses or provide technical assistance for a duration of one week and at a cost equal to or less than US\$2,000 or the equivalent, pursuant to the 8 August 2006 MIF memorandum. A shortlist for the selection and contracting of consulting firms for very small contracts, for amounts less than or equal to US\$30,000 or the equivalent, may be established, without publication, to receive expressions of interest, and the selection may be made based on limited invitation to bid or any of the other methods detailed in Section III of document GN-2350-7.
- 5.7 **Review:** The MIF will conduct ex post reviews of contracting and procurement processes for amounts less than US\$10,000. However, at the request of the

executing agency, the Bank may authorize ex post review for larger amounts, once the necessary conditions have been demonstrated to the Bank's satisfaction.

- 5.8 Activities will be programmed according to an annual work plan (AWP) and the provisions of the project Operating Regulations. FHI/Bolivia will execute the actions and allocate the budgetary funds previously approved in the AWP and the procurement plan.

VI. MONITORING AND EVALUATION

- 6.1 The coordinator, on behalf of the executing agency, will submit semiannual progress reports to the Bank within 30 days following the close of each six-month period. These reports will be submitted in a format previously agreed with the Bank. They will report progress on each component, including outcomes obtained, contributions to achieving the project objectives indicated in the logical framework, and any problems encountered and potential solutions. The reports will include a work plan and statement of financial execution. The Bank will use these reports to monitor execution through the Project Performance Monitoring Report. A final report will also be submitted at the end of budget execution in the format established by the MIF. It will supplement the final report of the Bank/MIF and will prioritize outcomes achieved, expected impacts, and lessons learned.
- 6.2 The executing agency must have a **results-based project monitoring system**, based on the schedule of activities, logical framework indicators, the AWP, and the RMSF baselines to be developed at the beginning of the project (Component 1). The monitoring system will measure actual performance and expected project performance. The system will be the primary tool for monitoring execution progress, achievement of objectives, and impact obtained.
- 6.3 The MIF, in collaboration with FHI/Bolivia, will commission a midterm and final evaluation with project funds. The midterm evaluation will be conducted when one-half of the execution period has elapsed or 50% of the funds have been disbursed, whichever occurs first, to ensure that progress is satisfactory or identify any changes needed to enable the project to move forward. The evaluation will consider progress on the indicators in the logical framework, the baseline, and the effectiveness of the AWP. The **final evaluation** will be conducted at the end of project execution. Emphasis will be placed on the extent to which the project's specific purposes and objectives were achieved, the sustainability of project actions after the MIF contribution has ended, and the identification of best practices and lessons learned.
- 6.4 **Closing workshop.** Three months before the end of the execution period, a closing workshop will be held with the executing agency, MIF personnel, sector representatives, and other personnel to be agreed, to jointly evaluate the outcomes achieved, identify additional tasks to ensure that actions begun under the project are sustainable, identify lessons learned, and, if necessary, agree on the scope of an

ex post evaluation to assess the project's impact two or three years after the project has ended.

- 6.5 **Ex post continuity evaluation.** Two years after the end of the project, the MIF, with support from FHI/Bolivia, will verify the project's impact in terms of continuity of beneficiary RMSPs. The funds for this task, which have already been allocated, will be transferred directly by the Bank to a MIF account. To this end, FHI/Bolivia will periodically monitor the beneficiary RMSPs upon project completion.
- 6.6 **Audits.** Two external audits are planned, a midterm audit when 50% of the funds have been disbursed, and a second audit when all the funds have been disbursed. The audits will be performed by an independent firm or auditor acceptable to the Bank, and will be financed out of the MIF contribution.

VII. BENEFITS AND RISKS

- 7.1 **Benefits.** The project will help strengthen and establish rural microenterprise service providers (RMSPs) and support them in providing competitive services in their immediate and neighboring areas that are capable of meeting public and private demand and generating job opportunities for rural populations in eight municipios in Cochabamba, Chuquisaca, and Potosí departments. The RMSPs' competitiveness will be achieved through training, technical assistance, and monitoring in business management, administration and accounting, empowerment and social management, as well as specialized training specific to the activities of each RMSP.
- 7.2 **Beneficiaries.** The project beneficiaries will be approximately 2,500 families associated with the RMSPs in the municipios of Cochabamba, Chuquisaca, and Potosí departments. Project activities and resources will directly benefit: (i) 115 RMSPs of various types, including providers of maintenance services, agricultural irrigation, water supply, road maintenance, tourism, agricultural bulking and processing, forestry, and related services; and (ii) the governments of eight local municipios: Tapacarí and Capinota in Cochabamba Department; Ocurí, Ravelo, and Torotoro in Potosí Department, and Padilla, Sopachuy, and Tomina in Chuquisaca Department.
- 7.3 **Risks.** There is the risk that adverse climatic factors could affect rural productive activities. To mitigate this risk, the project will support diversification of the services offered by RMSPs so they do not focus solely on agricultural production.

VIII. ENVIRONMENTAL AND SOCIAL IMPACT

- 8.1 The project was classified as category C according to the Bank's Environment and Safeguards Compliance Policy, and was approved by the Committee on Environment and Social Impact (CESI) on 21 September 2007 (meeting 31-07).

- 8.2 Project execution is not expected to have an adverse environmental or social impact directly related to its activities. On the contrary, it will provide training to RMSPs in environmental matters and provide advice directly to the eight local governments to strengthen their standards and policies relating to environmental management of projects.
- 8.3 The project's social impact will be positive, because it will work in poor rural areas and place value on the work done by women. This is an integrated project, because it supports supply chains and the social rural infrastructure, generating family jobs and leading to partnering, resulting in socioeconomic gains in the local market and gradual reduction of rural poverty.

PROMOTION OF LOCAL DEVELOPMENT AND TRAINING OF RURAL MICROENTERPRISE SERVICE PROVIDERS (BO-M1031)
LOGICAL FRAMEWORK

Narrative summary	Indicators	Means of verification	Assumptions
Objective			
To promote rural private sector development, focusing on local development in the departments of Cochabamba, Chuquisaca, and Potosí.	<ul style="list-style-type: none"> Two years after project completion, at least 80% of the 115 beneficiary rural microenterprise service providers (RMSPs) continue providing services 	<ul style="list-style-type: none"> Ex post evaluation Contract awards to local RMSPs 	<ul style="list-style-type: none"> Socio-political and economic conditions remain stable in Bolivia.
Purpose			
To strengthen the RMSP sector and help it gain a foothold in local markets with support from public-private initiatives.	<ul style="list-style-type: none"> Number of sustainable RMSPs in operation. Year 2: 50; end of project: 115 Number of jobs created. Year 2: 150; end of project: 450 At the end of the project, at least one contract with an RMSP in each municipio At the end of the project, at least one public-private partnership in the project area 	<ul style="list-style-type: none"> Contract award documents RMSP accounting records Records of permanent and temporary RMSP personnel Project evaluations Project performance monitoring report (PPMR) Project completion report (PCR) 	<ul style="list-style-type: none"> Government policies do not hinder FHI/Bolivia's activities. The municipios continue to support the rural productive sector.
Components			
1. Training and strengthening RMSPs	<ul style="list-style-type: none"> Percentage of RMSPs formalized (notarized document, regulations, bylaws, business card or other 	<ul style="list-style-type: none"> Documentation of RMSP formalization 	<ul style="list-style-type: none"> Climate-related factors do not adversely affect rural production.

Narrative summary	Indicators	Means of verification	Assumptions
<p>RMSPs develop the business capacity to provide services to the productive sector and rural social infrastructure</p>	<p>documentation). Year 2: 30%; end of project: 70% of the 115 RMSPs</p> <ul style="list-style-type: none"> Percentage of RMSPs that apply business management tools (basic accounting, administration, and business plan). Year 2: 30%; end of project: 70% of the 115 RMSPs Percentage of RMSPs that access loans. Year 2: 10%; end of project: 30% of the 115 RMSPs Maximum percentage of RMSPs in arrears on financing throughout the project: 10% of the 115 RMSPs 	<ul style="list-style-type: none"> RMSP administrative documents and business plans Reports from the monitoring system Project evaluation reports Records and control of loans made by financial institutions RMSP income statements PPMR PCR 	
<p>2. Territorial and commercial linkage of RMSPs</p> <p>RMSPs consolidate service delivery in their respective local areas.</p>	<ul style="list-style-type: none"> Percentage of RMSPs that have provided services to public or private entities under a formal contract. Year 2: 30%; end of project: 80% of the 115 RMSPs Actual RMSP sales of services as a percentage of sales projected in their business plans. Year 2: 50%; end of project: 70% of the 115 RMSPs Percentage of RMSPs that perform their service contracts. Year 2: 20%; end of project: 80% 	<ul style="list-style-type: none"> Service contracts Data from the RMSP monitoring and tracking system Business plans Project evaluation Certification of acceptance of services PPMR PCR 	<ul style="list-style-type: none"> Local governments are politically and socially stable. The markets in which the RMSPs participate are not affected by public economic policies.

Narrative summary	Indicators	Means of verification	Assumptions
	of the 115 RMSPs		
<p>3. Support for managing local and business development</p> <p>Local governments develop operational management capacity focused on local productive development.</p>	<ul style="list-style-type: none"> • Municipios that establish one development-oriented public-private partnership. Year 2: 4; end of project: 8 • Municipios that incorporate and implement productive sector support activities in their annual plans. Year 2: 4; end of project: 8 • Municipios that contract the services of at least one RMSP each year. Year 2: 4; end of project: 8 	<ul style="list-style-type: none"> • Interagency cooperation agreements between RMSPs and local governments in the project area • Municipios' annual work plans approved and in execution • Service contracts between RMSPs and local governments in the project area • PPMR • PCR 	<ul style="list-style-type: none"> • Local governments are politically and socially stable.
<p>4. Processing and dissemination of experiences and lessons learned</p> <p>Other local governments are aware of project experiences.</p>	<ul style="list-style-type: none"> • At least three additional local governments express interest in replicating project activities 	<ul style="list-style-type: none"> • Letters of intent signed by local governments to initiate similar RMSP promotion projects 	<ul style="list-style-type: none"> • Local governments are politically and socially stable.
Activities			
Component 1 - Training and strengthening of RMSPs			
<p>1.1 Promote entrepreneurship and business ventures in the project area</p> <p>1.2 Identify the beneficiary RMSPs and develop their baselines</p> <p>1.3 Support the preparation of business plans</p>	<ul style="list-style-type: none"> • Start of awareness-raising activities in month 3 • Baseline measurement system established in month 3 • Business management consultants contracted by month 3 	<ul style="list-style-type: none"> • Attendance records • Workshop and course proceedings • Technical reports • Consultant's reports • Credit regulations 	

Narrative summary	Indicators	Means of verification	Assumptions
<p>1.4 Provide on-site training and advisory services in business management (administration, accounting, negotiation, quality culture, commercial relations, governance, empowerment, and environment)</p> <p>1.5 Provide training to RMSPs in technical topics</p> <p>1.6 Provide support in formalizing RMSPs</p> <p>1.7 Establish a fund to finance RMSPs' investments, expansion, and working capital</p> <p>1.8 Provide advice and support in obtaining loans for investment and working capital</p>	<ul style="list-style-type: none"> • US\$100,000 transferred to a financial institution for the financing fund at the end of year 1. • Credit regulations approved by month 6 	<ul style="list-style-type: none"> • Legal documents from the financing fund • Baseline system • Baseline results • Documentation of RMSP formalization • RMSP business plans • Monitoring system reports 	
Component 2 - Territorial and commercial linkage of RMSPs			
<p>2.1 Coordinate the supply of and demand for rural services</p> <p>2.2 Develop promotional strategies jointly with the RMSPs</p> <p>2.3 Support the RMSPs in gaining access to markets</p> <p>2.4 Support in managing sales of services and negotiation</p>	<ul style="list-style-type: none"> • Demand from producers and the initial municipios determined by month 6 • RMSP promotional materials by month 9 	<ul style="list-style-type: none"> • Technical reports • Letters of intent between RMSPs and their customers • Project evaluations • Service contracts • Training materials • Promotional materials 	

Narrative summary	Indicators	Means of verification	Assumptions
2.5 Develop marketing support materials 2.6 Provide training and advice in accessing public bidding processes			
Component 3 - Support for managing local and business development			
3.1 Provide training and advice to municipal governments in planning, environment, and municipal management geared toward the private productive sector 3.2 Advise municipios in incorporating "productive municipio" concepts 3.3 Provide advice and training to municipios in contracting processes 3.4 Create venues for public-private consultation to strengthen the productive fabric	<ul style="list-style-type: none"> • Start of advisory services for the initial municipios by month 6 	<ul style="list-style-type: none"> • Workshop proceedings • Reports • Project evaluations • Municipal bidding processes • Public-private agreements • Execution of municipios' productive budgets 	
Component 4 - Processing and dissemination of experiences and lessons learned			
4.1 Implement a monitoring system for the project and the RMSPs 4.2 Document project outcomes 4.3 Develop dissemination	<ul style="list-style-type: none"> • Monitoring system implemented during the first 6 months of the project • Project report printed at the end of the project 	<ul style="list-style-type: none"> • Computer software installed • Project evaluations • Project archives 	

Narrative summary	Indicators	Means of verification	Assumptions
<p>materials</p> <p>4.4 Hold public events to disseminate outcomes</p>		<ul style="list-style-type: none"> • Database of project information • Printed materials • Project report • Reports from workshops • Attendance records 	

**PROMOTION OF LOCAL DEVELOPMENT AND TRAINING OF RURAL MICROENTERPRISE
SERVICE PROVIDERS
(BO-M1031)**

BUDGET

Description	Contribution		Total
	MIF	FHI/Bolivia	
Component I - Training and strengthening of RMSPs	486,610	270,400	757,010
1.1 Workshops to promote entrepreneurship	12,030	1,830	13,860
1.2 Identification and baseline	0	3,600	3,600
1.3 Support for business plan preparation	19,200	300	19,500
1.4 Training and advice in business management	212,700	1,890	214,590
1.5 Specialized training	219,680	82,800	302,480
1.6 Formalization of RMSPs	23,000	0	23,000
1.7 Financing fund	0	118,300	118,300
1.8 Sector support/supervision (30%)	0	61,680	61,680
Component II: Territorial and commercial linkages	79,490	45,600	125,090
2.1 Coordinate supply and demand	33,000	45,600	78,600
2.2 Develop promotional strategies	22,890	0	22,890
2.3 Negotiation	11,600	0	11,600
2.4 Training in gaining access to public bidding processes (3 workshops per municipio)	12,000	0	12,000
Component III: Managing local business development	116,000	0	116,000
3.1 Training and advice for municipal governments	51,300	0	51,300
3.2 Productive municipio	64,700	0	64,700
Component IV: Processing and dissemination	19,500	15,600	35,100
4.1 Monitoring system	0	8,100	8,100
4.2 Project documentation and dissemination	19,500	7,500	27,000
Operating and administrative expenses	91,800	55,400	147,200
Audit and evaluation	46,200	0	46,200
Audit	12,000		12,000
Evaluation	15,000		15,000
Impact assessment	4,200		4,200
Cluster	15,000		15,000
Contingencies	5,400	0	5,400
Contingencies	5,400		5,400
TOTAL	845,000	387,000	1,232,000
	68.58%	31.42%	100.00%