

SOCIAL INVESTMENT FUND - FIS

(BO-0029)

EXECUTIVE SUMMARY

BORROWER AND
GUARANTOR:

Republic of Bolivia

EXECUTING AGENCY: Social Investment Fund

AMOUNT AND SOURCE: IDB: US\$60,000,000 (FSO)
Local counterpart funding: US\$ 6,700,000
Total: US\$66,700,000

FINANCIAL
TERMS AND
CONDITIONS:

Amortization period: 40 years
Grace period: 10 years
Disbursement period: 4 years
Commitment period: 3 years
Interest rate: 1% of the total loan
amount during the grace
period and 2% thereafter
Inspection and supervision: 1%
Credit fee: 0.5%

OBJECTIVES:

The main objective of the program is to raise the standard of living of the poorest Bolivians by increasing the coverage and quality of basic services. Investments will be financed in the areas of health care, basic sanitation, and education, whose limited coverage and poor quality are both causes and effects of structural poverty in the country. The program will also provide training for implementation of the Civic Participation Act, which transfers responsibility for the maintenance and operation of all public infrastructure to the municipalities and other entities, and provides them with a forum and the authority to coordinate their priorities in the country's public investment programming.

DESCRIPTION:

The program will finance the construction and rehabilitation of physical infrastructure and the provision of equipment in areas that are priorities for the Bolivian Government, such as health care, basic sanitation, and education (US\$63.2 million).

It will also support institutional strengthening for both the municipalities and the FIS, which must tailor their operating procedures and methods to the

new institutional context resulting from the Civic Participation Act (US\$2 million). Through the program, the FIS will also strengthen its capacity to incorporate gender considerations into projects.

The program provides continuity for the activities of the World Bank, which contributed US\$20.5 million in an earlier stage (FIS I) and, after a very positive evaluation, approved a second loan for US\$40 million (IDA), with disbursements beginning in May 1994. The Bank and the IBRD have cooperated very closely, avoiding duplication of each other's efforts and the overlapping of activities performed by the FIS and the government's sector agencies.

Procurements under this project will be made through international public bidding above the thresholds of US\$150,000 for goods and US\$1.5 million for works.

**ENVIRONMENTAL
CLASSIFICATION:**

The Environment Committee, at its meeting of November 8, 1994, classified this as a Category III operation.

BENEFITS:

This operation will contribute to the *implementation of major reforms* underway in Bolivia to improve the quality of services in education, with health care next on the agenda. The FIS plays a key role in providing the infrastructure needed to increase coverage in health care, education, and basic sanitation. The program will help to reduce maternal and infant mortality and morbidity and boost the productivity of human capital through education.

This operation will also help to *alleviate poverty*, by meeting the education, health care, and sanitation requirements of the poorest municipalities, which are priorities for the government. It will also strengthen the administrative capacity of those municipalities, preparing them to efficiently shoulder their new responsibilities under the framework of the Civic Participation Act.

The operating efficiency and financial solidity of the FIS will be improved by modernizing its information system and decentralizing the Fund under a pilot project for gradual delegation of project execution functions to the municipalities and to the regional units of the FIS itself.

RISKS:

The following will forestall deficiencies in the operation and maintenance of the infrastructure financed by the project: (i) the Civic Participation

Act guarantees that funds for investments and maintenance will be made available on the basis of real demand, since the beneficiaries of the works are the ones who must request them under the participative planning process; (ii) the FIS will provide training to ensure that the municipalities have adequate capacity to operate and maintain the infrastructure that has been financed; (iii) the municipalities are required to budget the funds necessary for operation and maintenance as a contractual clause with the FIS; and (iv) no applications will be approved that are not a priority for the government department involved, which ensures that the salaries of the technical personnel required to provide the service (teachers and physicians, for example) will be paid. Should the FIS find during its annual supervision activities that adequate maintenance is not being performed, the municipality in question will not be eligible for new projects.

Last, in its direct work with the municipalities — particularly those in remote areas — the FIS has encountered that local governments have *limited and varying capacity* to identify, prepare, and execute development projects and to administer and maintain the related services. In this stage of the program, the most remote municipalities will not be eligible to apply for FIS funds. However, in all cases, the FIS will take steps to advise community groups and municipalities on mechanisms for expressing their priorities through the participative planning process.

**THE BANK'S
COUNTRY AND
SECTOR STRATEGY:**

During the Bank's programming mission in November 1994, it was agreed that the Bank would give priority to programs and projects intended to: (i) improve social conditions through steady support for the civic participation strategy, investments, and reforms in education, health care, and housing — particularly on basic levels and for the lowest-income beneficiaries; (ii) promote sustained economic development; and (iii) promote modernization of the State and the strengthening of civil society.

The proposed operation is consistent with the Bank's strategy in Bolivia, since it entails a major effort to improve the standard of living and productivity of the poorest families and to promote the sustained development of human capital, which is one of the cornerstones of the country's general economic and social development plan subtitled *El Cambio Para Todos* [Change For All]. With its strong focus on

rural areas, this operation will help to narrow the urban-rural gap and promote social equity.

**SPECIAL
CONTRACTUAL
CONDITIONS:**

Prior to the first disbursement of the loan, evidence must be submitted that: (a) the subsidiary agreement for the transfer of loan resources has been signed (paragraph 2.5); (b) program operating regulations have been placed in effect (paragraph 2.5); (c) a mechanism has been established to enable the executing agency to cover its operating costs out of funds provided by the entities participating in the program (paragraph 4.10); (d) a pilot plan and schedule for delegating functions and transferring project execution responsibilities to the municipalities, regional development corporations, and other competent entities has been presented (paragraph 4.13); and (e) the model financing agreement for the works in the program has been presented (paragraph 3.10).

Before the first disbursement under the institutional strengthening component, an action plan and timetable for execution of the component must have been submitted, along with the terms of reference for the consulting services envisaged for the component (paragraph 2.34).

The loan contract also provides for: (a) the financing of interest using loan proceeds (paragraph 2.35); (b) cost recognition for up to the equivalent of US\$2,000,000 against the loan and up to the equivalent of US\$200,000 against the local counterpart, provided said costs were incurred after April 1, 1995 (paragraph 3.18); (c) the establishment of indexes for gradual improvement of the efficiency of the FIS (paragraph 4.17); and (d) provisions relating to charges for basic sanitation services and the maintenance of program works (paragraph 3.10).

**PROJECT FOCUS
AND POVERTY
CLASSIFICATION:**

The program is classified as belonging to the social area, in accordance with the definition in paragraph 2.13 of document AT-1704, since it involves investments in health care, education, and basic sanitation. The program is targeted to low-income groups, since the poverty index in Bolivia is 58.7% and since it supports a social investment fund.

I. FRAME OF REFERENCE

A. Introduction

- 1.1 In August 1993, the Bolivian government launched a sweeping State reform program based on fundamental proposals to promote civic participation, government decentralization, human development, and sustainable development. To implement these proposals, the government has passed major laws and decrees, including the Education Reform Act, the Executive Power Reform, and the Civic Participation Act. By the end of the year, these proposals had become the cornerstones of the document entitled "Plan General de Desarrollo Económico y Social de la República: El Cambio Para Todos" [General Economic and Social Development Plan of the Republic: Change for All] which sets out the government's strategy and priorities – economic growth, social equity, the rational use of natural resources, and governance, "all with a view to improving the standard of living of Bolivians". It is precisely this last mandate that justifies the operation proposed here.

B. Socioeconomic framework

- 1.2 Like most Latin American countries, Bolivia has undertaken major structural adjustments to correct distortions in the economy. Although the adjustment process contributed to price stability ^{1/} – benefitting the country as a whole – social indicators did not improve significantly over the period. For example, per capita income in the 1980s fell by an average of 1.9% a year and only began to recover at a moderate rate of 1.4% yearly from 1990 to 1994. Infant and maternal mortality rates (82 per 1,000 and 600 per 100,000 respectively) continue to rank among the highest the world. Health, nutrition, and educational levels are truly alarming, particularly in rural areas, where 94% of households are classified as poor. This last figure, in comparison to a poverty rate of 51% in urban areas, indicates that although there has been economic growth in recent years, it has not been equitably shared. Duality in the Bolivian economy continues to be very sharp.
- 1.3 Bolivia will continue to face formidable challenges in climbing to higher levels of sustainable growth, despite its economic achievements in the last eight years. Its heavy dependency on income from primary exports and its low domestic savings limit the economy's capacity to respond flexibly to external and internal shocks.
- 1.4 Last, in December 1994, Bolivia agreed to a new Structural Adjustment Facility Arrangement with the International Monetary Fund

^{1/} Bolivia attained significant price stabilization, with inflation of 8.5% in 1993 and 8.3% in 1994, which is far below the 276% posted in 1986.

(US\$120 million equivalent) for the period 1994-1997, which establishes a series of reforms whose main purpose is to raise the economic growth rate from 4% a year in recent years to between 5% and 6% by 1997. However, economic growth alone does not guarantee better standards of living for Bolivians as a whole. Moreover, compliance with the targets in question requires strict fiscal austerity. This means that the money available for social infrastructure investments and maintenance under the Civic Participation Act must be well focused and used effectively, channeled by the government through programs such as FIS (see paragraph 1.12 for a more detailed discussion of the Act).

- 1.5 One of the most important steps that the government will take to improve its fiscal situation is to capitalize public companies. This might allow for the creation of individualized pension accounts to ensure an equitable social security net over the long term. Given the country's social challenges, it is important for Bolivia to make its social programs viable on the basis of a solid program for economic growth whose benefits are shared.

C. Development of the FIS

- 1.6 Since there was no institution capable of filling the huge gap that grew in the social field, in 1986 the government established the Social Emergency Fund (FSE), with financing from the IDB, the World Bank, and other entities, whose mandate was to redistribute income through the creation of temporary jobs for the unemployed. The FSE was successful and when its doors closed in March 1991, it had financed a total of 3,269 projects worth US\$191 million and had helped a total of one million direct beneficiaries.
- 1.7 The positive experience of the FSE led the government to transform it into the Social Investment Fund (FIS) in 1991, with a mandate to alleviate poverty. Since then, the FIS has ceased to be an emergency program and become a transparent instrument for responding rapidly to the needs of rural communities in health care, basic sanitation, and education. The FIS based its work on the districts determined by the former Ministry of Health and Social Welfare and on the poverty criteria devised by the FIS, targeting its investments to pockets of extreme poverty in rural and periurban areas, under a comprehensive intercession policy.
- 1.8 Under the new government (term from 1993-1997), the FIS's mandate has been reworked to contribute to the more general goal of human development. Institutionally, the FIS has been transferred from

the Office of the President to the Ministry of Human Development, ^{2/} thus ensuring that all investments in the sectors in which the FIS is active are consistent with the government's social and economic policies. The Ministry is responsible for those policies, national plans, and sector regulations, through the Departments of Education, Health, and Urban Services (the latter acting through the National Directorate of Basic Sanitation) which are the policy-making bodies in their respective sectors. The Ministry's Department of Policy and Social Investment is responsible for coordinating investment plans in those sectors.

- 1.9 Today, the FIS plays a key role in channeling funds to the neediest groups and has acquired status as an autonomous institution with specific responsibility for transmitting the government's priorities and policies, as coordinated by the federal departments, to the local levels through the design and execution of investment and training programs. Since its establishment, the FIS has 1,473 projects completed or under way, worth a total of US\$123.8 million. The beneficiaries are estimated to number around two million and include at least 60% of Bolivia's ethnic peoples, and the FIS is the institution with the largest presence in meeting their needs. The following section describes how the FIS channels resources to the poorest of the poor.

D. The FIS and Bolivian socioeconomic reform

- 1.10 The FIS plays a particularly relevant role in implementing the socioeconomic reforms mentioned at the outset of this chapter. In education reform, the FIS is vital in providing the necessary infrastructure to comply with the targets of expanding the coverage and improving the quality of educational services. Although health sector reform is still under way, the FIS will continue to play an important role after it is completed by financing the infrastructure needed to improve health services and facilitate access to them, particularly for groups at high epidemiological risk.
- 1.11 Last, the FIS is one of the key vehicles for implementing the Civic Participation Act, whose innovative nature entails a certain risk given the constraints on rural communities, particularly their lack of technical capacity and experience. Therefore, an institution such as the FIS is required, which has credibility with both the central government and the municipalities and is the only executing

^{2/} The reform of the Executive Branch (Act 1493 of September 17, 1993), created three superministries: (i) Sustainable Development and the Environment; (ii) Finance and Economic Development; and (iii) Human Development, whose mandate is to give priority to programs which, while respecting the country's cultural diversity, are intended to increase the supply of education, preventive health care, safe water and sanitary sewerage, solid waste collection and treatment, and housing, among other areas.

agency with experience in projects of this kind and with a presence in rural communities with fewer than 5,000 inhabitants. Thanks to those close relations, it is able to provide formal and informal assistance to the municipalities in carrying out their new functions. In this context, the FIS will help to train and develop human capital and its resources will be used to buttress the coparticipation funds received by the municipalities, rectifying existing inequalities in financing and infrastructure.

E. New institutional context

- 1.12 In April 1994, a fundamental change was made in the institutional context when the Civic Participation Act was passed, with the following chief objectives: (i) to involve indigenous, rural, and urban communities in the juridical, political, and economic life of the country; (ii) to improve the quality of life of Bolivian men and women through more equitable distribution and better management of public resources; and (iii) to strengthen the political and economic mechanisms needed to perfect representative democracy. To attain these goals, the Bolivian government transfers 20% of national tax revenues to the municipalities, many of which have newly-created or redefined jurisdictions. The coparticipation process has significantly raised the incomes of many medium-sized and small municipalities. The assets of the health care, education, basic sanitation, and production support sectors have been transferred to them, as well as responsibility for the operation, maintenance, and expansion of physical infrastructure.
- 1.13 Like all government agencies, the FIS has had to adapt its operations to this new scheme, and is now called upon to respond to local priorities instead of setting them. By transferring responsibility for social infrastructure to the municipalities, the government's intention is to ensure the sustainability of its investments by fostering active participation in the projects it undertakes. The fact that requests for development projects are made by the end beneficiaries ensures that there is real demand for a given service. Moreover, the act requires the municipalities to sign a tripartite agreement with the executing agency - in this case the FIS - and the government department responsible for the sector in question, which guarantees staffing and integration into the sector services network.
- 1.14 However, the capacity of many of the municipalities is limited and this is one of the largest obstacles in the government decentralization process. The FIS is seeking to address this problem by working directly with the municipalities - particularly with those that are very remote - to boost their capacity to identify, prepare, and execute projects, and improve their efficiency in administering and maintaining services. The proposed operation supports the FIS's efforts through its municipal strengthening components (described in paragraphs 2.20 to 2.25).

- 1.15 Another key aspect in the institutional framework is *sector coordination*. Mechanisms and agreements have been established on the national, departmental or regional, and local levels, in order to ensure that: (i) the FIS's investments are consistent with the sector programs and development plans of the regulatory agencies responsible for the sector (table 1 below lists the sector coordinating agencies on the different levels of government); and (ii) there is no overlapping with other executing agencies such as the National Rural Development Fund (FNDR), the Campesino Development Fund (FDC), etc.

Table I-1
Government sector coordination

	Health	Education	Basic Sanitation
Local	Health districts and municipal governments	Education Districts and Municipal Governments	Water Boards or cooperatives, municipalities
Regional	The regional representatives of the Department of Health, the Regional Development Corporations (CRDs), and the National Rural Development Department (SNDR)	The regional representatives of the Department of Education, the CRDs, and the SNDR	The CRDs, the Basic Sanitation Unit (UNASBA), and the SNDR
National	The Department of Health, and the Civic Participation Department	The Department of Education, and the Civic Participation Department	The National Basic Sanitation Directorate, the SNDR, and the Civic Participation Department

Source: FIS Promotion and Evaluation Department, March 1995

- 1.16 As for coordination among the departments as regulatory agencies and the Development Funds as executing agencies, an intersector committee was established in 1994, coordinated by the Civic Participation Department, whose members are drawn from the different departments and Funds. With regard to coordination among the Funds, the FIS has signed interinstitutional agreements with the FDC, which is responsible for public investment in infrastructure to support rural production, and the FNDR which is responsible for public investment in urban development, including basic sanitation in towns with populations over 5,000. The FIS has also established a coordination committee for on-going dialogue with those executing agencies, in order to avoid any overlapping of efforts.
- 1.17 Last, the Regional Development Corporations (CRDs) and NGOs also play an important role within the FIS's institutional framework. The CRDs are responsible for regional planning, preinvestment, and municipal strengthening in three main areas: project preparation,

management capacity, and procurement. NGOs may act as executing agencies in FIS-funded training projects and operating agencies for health projects, under agreements with the municipalities and the Department of Health.

F. Experience of the Bank and other institutions

- 1.18 The IDB, the World Bank, and other donors channeled funds through the FSE when it was active. The IDB's share of original FSE financing took the form of soft loans worth US\$34.7 million (126/TF-BO, 828/SF-BO and ATN/SF-3401-BO) and the World Bank had two International Development Association (IDA) operations for a total of 26.8 million special drawing rights. The IDB's project completion report concluded that the program had created jobs, generated income, and provided social assistance in keeping with its objectives and targets.
- 1.19 While the FSE complied with its goals of job creation and contributed to poverty alleviation, the concrete objective of the FIS is to set the stage for long-term poverty reduction, attacking the root causes of structural poverty, particularly the human capital deficiencies of low-income groups. To do so, since 1991 the FIS has obtained soft loans and donations totalling US\$133 million (the IDB did not participate in FIS I in view of existing financial commitments). The World Bank provided US\$20.5 million for FIS I and, after a very positive evaluation, approved a second loan of US\$40 million (IDA) whose disbursements began in May 1994. Countries providing financing include Germany, Canada, the United Kingdom, Switzerland, Holland, Sweden, and Denmark.
- 1.20 Apart from providing direct support for FIS activities, the Bank, the IBRD, and others are supporting the government's efforts in the three sectors in which the FIS is active, under the operations mentioned in the following table.

Table I-2
IDB and World Bank sector programs

Operation	Source	Amount (US\$ million)	Area
Education: Education Reform	IDB/IBRD	204.0	Does not finance infrastructure
Health: PROIS	IBRD	20.0	Local Health System Network
Health: PSF	IDB	33.9	Hospitals and health posts in six departments
Sanitation: PRODURSA II	IDB	60.0	Sanitation in cities with over ten thousand inhabitants.

- 1.21 Last, the governance program in the pipeline and the regional development and sanitation program (PRODURSA), which are both IDB

programs, also include institutional strengthening components that supplement the FIS's activities, contributing to active participation by civil society as described in chapter II.

G. Bank strategy

- 1.22 The priorities of the Bank's strategy in Bolivia include human resource development and strengthening of the agencies involved in that field. Specifically, it was agreed that the Bank would give priority support to projects intended to: (i) improve social conditions through ongoing support for civic participation, investments and reforms in education, health, and housing, particularly on the basic levels, for the benefit of the lowest-income groups; (ii) promote sustained economic development by facilitating private investment in the productive sectors with the support of public investment, steering it into boosting production for export and for domestic consumption, under sustainable development criteria; and (iii) promote the modernization of the State and the strengthening of civil society.
- 1.23 The proposed operation is consistent with this strategy, since it involves a major effort to improve the standard of living and productivity of the poorest families and to promote the sustained development of human capital through participative planning, in which the end beneficiaries of the projects are the same people who make the decisions with regard to them and take responsibility for their continuity. With its strong focus on rural areas, this operation will help to narrow the urban-rural gap and promote social equity. The key vehicle for implementing this strategy is the Social Investment Fund, whose institutional development, which is described below, demonstrates its responsiveness to the basic needs of Bolivians.

II. THE PROGRAM

A. Objectives

- 2.1 The general objective of the program is to improve the standard of living of the poorest groups living in the countryside and in periurban areas, by increasing the coverage of education, health care, and sanitation services.
- 2.2 The program's specific objectives are to:
 - a. upgrade and expand education infrastructure in rural and periurban zones, in support of education reform;
 - b. increase the coverage and quality of health care services in rural and periurban zones with fewer than 15,000 inhabitants;
 - c. increase the coverage and quality of basic sanitation services in towns with under 10,000 people and in periurban zones; and
 - d. strengthen the operating capacity of municipalities and other agencies involved in executing projects financed by the FIS.

B. Program description

- 2.3 The program has two components: (a) investment projects in the education, health care, and sanitation sectors (US\$63.2 million); and (b) institutional strengthening for the FIS, municipalities, NGOs and other institutions participating in the program (US\$2 million).
- 2.4 Table II-1 presents a summary of the program's logical framework, giving objectives, indicators, means of verification, and benchmarks for each of the components.

TABLE II-1: LOGICAL FRAMEWORK AND BENCHMARKS FOR THE PROGRAM

OBJECTIVE	INDICATOR	MEANS OF VERIFICATION	ASSUMPTIONS
Improve the living conditions of the poor and vulnerable groups by providing access to health services, education, and employment opportunities.	To reduce infant and maternal mortality rates, diseases caused by poor sanitation, and the school dropout rates, and increase the number of years of schooling and the production indexes of the communities involved.	The National Health Information Service of the Department of Health (SNIS). Reports from the quality of education measurement system (SIMECAL) of the Department of Education.	The Departments of Health and Education maintain technical and financial support for their partner components. The municipalities and local committees maintain their administrative and financial support for the projects carried out.
Increase the quality of basic health services and infrastructure by providing access to health services, education, and employment opportunities.	HEALTH: To reduce the infant and maternal mortality rates by 20% with respect to the goal established by the SNS, and the incidence of diseases caused by poor sanitation by 25% in the municipalities benefitting from this component. EDUCATION: To help reduce the school dropout rate by 8% (between grades 3 and 8) and increase the school retention rate by 20%. SANITATION: To reduce episodes of diarrhea in children under 5 by 25% and deaths from cholera by 50%.	Health center records. School records. Surveys of beneficiaries. SNIS publication for 1999. Department of Health quality audits. SIMECAL. Surveys of beneficiaries.	Local counterpart funds match project projections. The beneficiary schools and health centers operate services at the level needed to comply with the program targets and objectives. The health and education authorities speed up the process of making regulations compatible and apply them to FIS projects. The municipalities comply with provisions of the Civic Participation Act, particularly with regard to maintaining services at the level planned in the projects.

OBJECTIVE	INDICATOR	MEANS OF VERIFICATION	ASSUMPTIONS
<p>structure and provided and in</p> <p>vestment studies</p> <p>ng provided.</p> <p>ional support</p> <p>sion carried</p>	<p>HEALTH:</p> <ul style="list-style-type: none"> - 60 health centers of different levels of complexity have been built and are in operation. <p>EDUCATION:</p> <ul style="list-style-type: none"> - 180 central schools built and in use attended by 50,000 pupils. - 600 one-room schools built and in use with an increase of 12,000 pupils enrolled. - 12 CERPIs built and in operation attended by 36,000 pupils. - 23 rural boarding schools built, attended by 3,500 pupils. - 9 to 12 informal training centers established and 30,000 people trained. <p>SANITATION:</p> <ul style="list-style-type: none"> - 250 safe water systems of different types and sizes built, benefitting 174,000 people. - 30 sanitary sewer systems, benefitting 830 families. - 6 solid waste collection systems, benefitting 1,290 families. - 200,000 sanitation users trained. - 240 organizations in charge of operation and maintenance trained. <p>TRAINING FOR WOMEN AND ETHNIC GROUPS:</p> <ul style="list-style-type: none"> - 300 theoretical and practical training events held. <p>INSTITUTIONAL STRENGTHENING:</p> <ul style="list-style-type: none"> - 90 municipalities and 20 NGOs strengthened in their financial management and project execution capacity. 	<p>Certificates of acceptance of contracted components and projects issued by the FIS Operations Department.</p> <p>Reports from the FIS project monitoring system.</p> <p>School records.</p> <p>FIS municipal information system.</p>	<p>Trained personnel continues on or transmits know-how.</p> <p>Community trained to apply the know-how acquired.</p> <p>The FDC carries out productive infrastructure projects in the zones.</p>

1. Investment projects

- 2.5 The program will be regulated by a subsidiary agreement signed by the borrower and the executing agency, including (i) operating regulations establishing the general rules for execution, the basic eligibility criteria described in table II-2 to be applied to all projects, and identification, analysis, and execution procedures; ^{3/} (ii) the FIS Project Preparation Guide and Project Promotion and Evaluation Manuals, which describe the technical rules and specific procedures for analyzing each type of project. Since all of the projects involve rehabilitation or minor construction, Bank financing will not exceed US\$500,000 per project and the program will not finance projects whose total cost is above US\$550,000.

Table II-2 Basic eligibility criteria

The program will only finance projects that comply with the following criteria: (i) be located in one of the 178 municipalities that the government has included in its poverty alleviation strategy on the basis of the poverty map prepared by UDAPSO in 1993 (see chapter V) or, in the case of schools, be located in one of the periurban zones defined as priorities by the Department of Education; (ii) have been ranked as priorities by the national health, education, or sanitation authorities; (iii) respond to demands made by the community through a participative planning process; (iv) the municipality must demonstrate the capacity to operate and maintain the works financed (directly or through an agency) and, when pertinent, that adequate maintenance is being provided for projects already financed by the FIS. Once they have been selected, projects must also comply with the technical, economic, and financial criteria set forth in the FIS Project Guide.

- 2.6 This component will finance: (a) all the costs of preparing and executing projects, including preinvestment studies, physical works, and equipment; (b) supervision of the works; (c) training for operators to ensure the efficient operation and maintenance of the works and services financed; and (d) education for users on the benefits of the services and their proper use, particularly in the cases of health care and sanitation facilities.
- 2.7 The main types of projects to be financed and the indicative financing goals by sector are described below.
- a. Formal education (US\$32.6 million)
- 2.8 Projects in this sector will support implementation of the Education Reform Act, by financing investments in construction, rehabilitation, expansion, and equipment for school projects defined by the Department of Education. Projects in rural zones

^{3/} The Operating Regulations are presented in Annex III-1 of this document.

and periurban areas in municipalities with high poverty rates that are priorities under the education reform will be financed.

- 2.9 The types of projects to be financed are: (i) core schools offering 12 grades; (ii) primary schools offering the first eight grades; (iii) one-room schools offering the first five grades, generally in outlying areas; (iv) comprehensive teaching centers (CERPIS), which provide additional support for formal education in areas with school populations of between 5,000 and 10,000 pupils attending different schools, which aside from having classrooms, also have libraries, computer equipment, and educational games; and (v) mixed rural boarding schools to facilitate attendance at core schools by students who live in outlying areas, which will supplement the education they receive in school with a bilingual and intercultural curriculum and a vocational training component. Financing priority will be given to these boarding schools.
- 2.10 In addition to defining priorities for the location and timing of school projects, particularly in periurban zones, the Department of Education undertakes to pay the salaries of the teachers required to run them. The municipalities will be responsible for administering the schools and maintaining the installations, in conjunction with parent's associations.

b. Nonformal education (US\$7.5 million)

- 2.11 This component is intended to develop the human and productive potential of the rural and periurban populations, with particular attention to rural youth, women, and ethnic groups, and their inclusion in the labor market. The aim is to improve the quality and competitiveness of the products or services they are now manufacturing or providing, as individuals or members of production groups.
- 2.12 Two basic areas will be financed: (i) human and organizational development, which will include workshops on leadership, self esteem, negotiating, forms of organization, etc. The financing will be used to hire trainers and to prepare educational and informative materials, radio programs etc; (ii) technical and technological training including financing for training courses, technical assistance, the development of appropriate technologies, equipment, inputs, and the direct administrative costs of projects. To ensure equitable access to the different opportunities and obtain an effective impact on the target population, the design and execution of projects in these two areas will take account of the special circumstances of the participants, ethnic and cultural diversities, demand, limitations, and the potential of men and women.
- 2.13 The main beneficiaries will be groups that are already involved or are becoming involved in economically productive activities. The component includes different training programs targeted specifically

to women, including health issues, with the largest component being training for productive activities (70%). The chief beneficiaries of nonformal education are members of ethnic groups and the vast majority of training programs will be provided by specialized NGOs.

c. Health (US\$6.5 million)

- 2.14 This component will finance the construction, rehabilitation, expansion, and equipping of health units that form part of the Department of Health's local services network. The country has been divided into health districts, and each district has a service structure that includes a general hospital, a district hospital, and area, sector, and community health centers. The Department of Health pays the salaries of the medical and nursing staff required to operate these centers, while the municipalities pay for their operation and maintenance.
- 2.15 The following will be financed: (i) **area health centers** serving towns of up to 15,000 people, providing 70% preventive care and 30% curative care; they include two medical offices and one dental office for outpatient treatment, two rooms for inpatients, a delivery room, an infirmary, a pharmacy, a laboratory, and supplementary services; and (ii) **sector health centers** that serve towns of up to 1,500 people, designed to carry out 90% preventive activities and 10% curative activities; they include a clinic, a room for inpatients, a multiple-use room, and supplementary services. In addition to the construction or rehabilitation and equipping of such centers, all the projects will include an educational component.

d. Basic sanitation (US\$16.6 million)

- 2.16 This component will finance water supply and sanitary sewerage projects, based on solutions that have been tailored to the size of the town, plus sanitary education activities. According to sector regulations, the FIS is responsible for financing basic sanitation projects in towns with populations of under 5,000, through nonreimbursable transfers, while the FNDR serves cities of over 10,000 through loans combined with donations. The two institutions work in coordination to avoid overlapping and the systems are administered by private cooperatives regulated by the municipalities.
- 2.17 This component will finance water supply projects which include the construction, expansion, and rehabilitation of residential distribution systems, including residential connections and micrometering, and systems based on public taps. The type of distribution will be based on population density, geomorphological features, and the degree to which the population is organized. Projects involving residential connections must necessarily include sanitary sewers.

- 2.18 The component will also finance sanitary sewerage projects, consisting of construction, expansion, and rehabilitation, including residential connections and effluent treatment and final disposal in towns which have water service with residential connections that function properly.
- 2.19 Project pipeline. The current pipeline includes 1,114 projects worth US\$57.7 million, not including the schools to be built or rehabilitated in periurban areas (see table II-3 below). This pipeline has been identified through a participative planning process (see paragraph 3.3) in 178 rural municipalities identified as priorities on the basis of the Bolivian poverty map. Thirty-five percent of these projects have already been evaluated and 20% have been approved. It is expected that all the projects will have been evaluated by December of this year and that approximately 75% of them will qualify and be ready for execution. Accordingly, by December the FIS will have 100% of the designs required for total project execution.

Table II-3
National summary by program and subprogram

Programs	Name of subprogram	No. of Projects	Total Amount (US\$ million)	%
EDUCATION	Formal education			
	One-room schools	43	0.9	1.5
	Core schools	519	22.5	38.9
	CERPIs	6	1.5	2.6
	Rural boarding schools	16	2.2	3.8
	Nonformal education			
	Training for women	4	0.5	1.0
	Production training	24	3.4	5.9
	Health training	1	0.1	0.2
SANITATION	Basic sanitation			
	Potable water	317	14.7	25.4
	Sewerage	30	4.8	8.3
	Solid waste disposal	4	0.2	0.3
HEALTH				
Primary care	Primary care	150	6.7	11.6
	TOTAL	1,114	57.7	100

Source: FIS, Planning and Control Department, March 1995.

2. Institutional strengthening

- 2.20 This component is intended to: (i) strengthen the operating capacity of municipal governments with regard to project execution and maintenance; and (ii) support the FIS in decentralizing its activities and perfecting its technical and operational capacity.

a. Operational support for municipalities (US\$1,000,000)

- 2.21 Financing will be provided for technical advisory services to strengthen the municipalities administratively and train them in executing and monitoring works and the financial control of projects. This component is intended to provide technical assistance for recently-created municipalities and municipalities whose jurisdiction has been expanded with the promulgation of the Civic Participation Act. The comparative advantages of the FIS in accessibility to the smaller municipalities will be tapped in order to promote technical assistance activities in key areas for their institutional development. This component is a complement to the strengthening provided by agencies such as the Civic Participation Department and the CRDs. The technical support will parallel project execution in each municipality, so that the FIS can transfer its methods of project monitoring, control, and follow up.
- 2.22 This component will finance in-service technical assistance activities and training in general for municipalities and NGOs in the areas of: (a) **project administration**, focusing on subjects such as (i) procurement of goods and services; (ii) follow up, supervision, and monitoring of project execution; and (iii) operating and scheduling the maintenance of works and services, in particular basic sanitation; (b) **municipal financial and budget management**, including (i) the preparation and execution of budgets in accordance with the State Funds Administration and Management Control Act (SAFCO), and (ii) basic accounting and payment principles.
- 2.23 Methodologies and educational support materials will be designed for each of these areas and tailored to the size, mother tongue, and technical level of the municipal employees to be trained. The technical assistance is designed to supplement and support the execution of FIS projects, involving the municipalities and NGOs in the planning, execution, and maintenance of works and services in each locality.
- 2.24 This component is expected to provide technical training for at least 90 municipalities and 20 NGOs or similar organizations which qualify as executing agencies of FIS projects. The impact of this component will be felt in the technical and administrative development of the beneficiaries, which will be in a position to adequately operate and maintain the services and works financed by the program. The impact will also be felt in a reduction in the FIS's execution and supervision costs, as result of the delegation of functions to the municipalities.
- 2.25 The conditions that the municipalities and NGOs must meet to obtain advisory services under the program are: (a) to have obtained or be about to obtain FIS financing, with priority given to municipalities with the largest number of projects; and (b) have a

permanent core staff able to take advantage of the training and apply the methods and systems. The average cost of technical assistance per municipality has been estimated at US\$10,000 including the cost of developing methodologies. The total estimated cost of this component is US\$1 million.

b. Strengthening for the FIS (US\$1,000,000)

- 2.26 The purpose of this subcomponent is to promote rationalization of the FIS and support the decentralization of its operations. The activities will also help it to perfect its current working methods, through technical support in specific areas and training for staff, including the following activities.

(i) Strategic plan and managerial development of the FIS

- 2.27 A strategic plan will be financed for the FIS, intended to enable it to meet medium- and long-term institutional demands and adjust its administrative structure and working methods in light of its new role under the Civic Participation Act. The general thrust will be in the direction of cost reduction and decentralization of activities, by delegating functions to the FIS's own regional units. Stress will also be placed on transferring project execution activities to the municipalities, as a new operating strategy of the FIS. Aside from preparation of the plan, management seminars will be held for FIS staff (US\$50,000).
- 2.28 A pilot plan will be introduced to transfer some of the FIS's direct project execution responsibilities to the municipalities. The municipalities that are strongest technically will be selected and will be provided with specific guidance and direct follow-up during project execution and implementation. Two years after the program has been completed, this pilot plan will be evaluated from the standpoint of its applicability to the rest of the municipalities served by the FIS.

(ii) Information system

- 2.29 The information system and computer equipment used by the FIS will be renewed and upgraded in order to streamline work, track operations, and integrate activities more closely. Its current systems for (i) evaluation and planning, (ii) project tracking, (iii) supervision and evaluation of impact, (iv) integrated accounting, and (v) external communications should be reviewed. The new management information system will make it possible to integrate the project tracking activities of the central unit and the regional offices, tightening control and permitting the activities to be decentralized. The study to design and develop this system is being financed by the World Bank, and the computer equipment and technical assistance for developing, implementing, and maintaining system applications will be determined on the basis

of the results of that study. The estimated budget for these activities is US\$600,000.

(iii) Monitoring system

- 2.30 The procedures used by the FIS for monitoring and tracking projects will be reviewed in order to provide inputs for improving their quality and effectiveness. A program to evaluate projects under way and completed will be financed, and consulting services will be hired to design the details of the system. Special stress will be placed on evaluating ethnic and gender impact and the benchmarks contained in the program's logical framework will be monitored. The reports produced by the monitoring system will be presented to the FIS's Board of Directors, so that corrective actions can be taken and implementation of the recommendations contained in the reports monitored. The program will finance technical assistance to develop methodologies and conduct field surveys (US\$100,000).

(iv) Consulting services and training seminars

- 2.31 As part of the FIS's institutional development plan, specific consulting services will be financed in the areas that require technical updating and internal seminars will be held for staff training. The areas include (a) community relations methodologies, (b) project monitoring and follow up, (c) design or adjustment of mechanisms and methods for promoting gender and ethnic equality, and (d) participative planning.
- 2.32 One of the technical assistance priorities is to strengthen the FIS with regard to gender and ethnic equality. The program seeks to consolidate the work that has already been done in the areas of personnel training and revision of operating regulations, for which purpose the Bank will finance: (i) the design or adjustment of methods and mechanisms for promoting gender and ethnic equality in the organization, planning, execution, and evaluation of FIS policies and projects; (ii) workshops on coordination on the local level; and (iii) preparation and dissemination of educational materials. During the two first years of the program, the quarterly progress reports will include a specific section on this subject.
- 2.33 Fifteen months of consulting services (three international) will be hired for gender and ethnic issues, and if the first annual evaluation suggests that further work is necessary, the services will be increased under an agreement between the FIS and the Bank. For the total subcomponent, 15 person-months of international consulting services and 30 person-months of national consulting services will be financed, as well as other training-related costs, for a total of US\$250,000.

- 2.34 Use of the funds for institutional strengthening: The FIS will submit to the Bank for approval the definitive terms of reference for the consulting services and technical assistance prior to release of the funds.

C. Program cost and financing plan

- 2.35 The total cost of the program is US\$66.7 million, which is summarized by investment category and source of financing in the following table:

Table II-4
Total cost and sources of financing (in US\$ million)

Category/source	IDB(FSO)	Local	Total	%
Investments in projects	56.8	6.4	63.2	94.75
Institutional strengthening	2.0	-	2.0	3.00
Financial costs:			1.5	
- interest	0.6		0.6	2.25
- credit fee		0.3	0.3	
- inspection and supervision	0.6		0.6	
Total	60.0	6.7	66.7	100.00
Distribution by source (%)	90	10	100	

- 2.36 US\$56.8 million of the total Bank loan of US\$60 million equivalent from the FSO will be used to finance investment projects, and US\$2 million will be used to strengthen the administrative capacity of the municipalities and the FIS. The local contribution of US\$6.7 million will include the 10% contribution to the total cost of projects by the municipalities, which will come from their tax revenue sharing funds. The beneficiaries will also contribute labor and local materials, thus increasing the percentage of the local contribution.

D. Scale of the program

- 2.37 The overall scale of the program has been determined on the basis of: (i) project execution in 1993 and 1994 which amounted to US\$25 million a year; (ii) higher financial capacity to provide the local contribution, since the municipalities now have funds assigned to them exclusively to finance investment, operation, and maintenance, under the Civic Participation Act (see paragraph 1.12); (iii) the amount of funds that the Bank is able to place under its country programming; and (iv) effective demand as measured by the current pipeline of eligible requests with no source of financing, estimated as US\$57.6 million, since all external funds from other sources have been fully committed (see table II-3).

- 2.38 The institutional strengthening component has been scaled in function of potential demand and the capacity of the FIS to manage a program of this kind. Of the 178 municipalities with projects in the pipeline, it is estimated that the FIS is capable of adequately administering an assistance program for 90 municipalities and 20 NGOs.

III. PROGRAM EXECUTION

A. Program execution ^{4/}

- 3.1 The program will finance projects in the FIS pipeline, which are being selected under the participative planning methodology described later on. The FIS is directly involved in almost all the stages of the project cycle, from identification, preparation and evaluation, to execution, where it supervises the procurement process, signs the contracts for goods and services together with the applicant, monitors and supervises execution, makes disbursements, and accepts the finished works. The program proposed here is intended to perfect this cycle, gradually transferring many of the responsibilities for execution to municipalities and regional and local organizations, with the FIS becoming more involved in financing and less in direct project execution.

1. Investment component

a. Promotion and identification

- 3.2 The participative planning methodology used by the FIS and other government agencies to determine investment priorities is being implemented in 178 municipalities that are viewed as priorities owing to their high poverty rates. The projects for schools in periurban zones have been selected on the basis of poverty criteria and the education reform strategy.
- 3.3 Participative planning involves three stages: (i) community mobilization through presentation of the methodology and coordination among the different social agents in a municipality; (ii) preparation of a diagnostic study on the situation in the community and its needs, with the participation of community leaders in collecting and organizing the information; and (iii) ranking municipal requirements in order of priority, together with the applicant institution and community representatives, in cooperation with the FIS, the Department of Rural Development, and the Civic Participation Department. Input from other central government departments is introduced in this stage of the process. The resulting projects are included in the municipal budgets and in the programming of the corresponding government department. Projects that have been identified are then analyzed by the FIS following the steps described below.

b. Evaluation

- 3.4 Based on the identified project profiles, the FIS performs an institutional evaluation of the applicant, the organizational

^{4/} Annex III-1 presents the Program Operating Regulations.

capacity of the community, financial counterpart availability, and the capacity of the applicant to operate and maintain the project. An average of 25% of projects are disqualified because they do not comply with the predefined criteria. For projects that are accepted, the FIS advises the applicant with regard to project design, determining preinvestment requirements and establishing the timetable for their presentation to the FIS. Once the projects have been prepared, their compliance with the technical, economic, financial, and environmental requisites established in the operating regulations and evaluation manuals of the FIS is evaluated prior to submitting them for approval.

c. Approval

- 3.5 Applications for preinvestment and investment projects that have been evaluated positively are presented to the Board of Directors of the FIS for approval. For projects that are approved, a financing agreement is prepared and signed with the applicant.

d. Procurement

- 3.6 Procurement of goods and construction contracts for works will follow the procedures established in Annex B of the loan contract without exception. International public bidding will be compulsory for goods worth more than US\$150,000 and for works worth more than US\$1.5 million. These thresholds are justified since foreign companies have taken part in bids on similar projects in Bolivia when the amounts are above those figures. Bids for smaller contracts will be held in keeping with local legislation, which requires public calls for bids over US\$100,000 and permits limited bidding for smaller amounts.

e. Execution

- 3.7 The applicant municipality, with advice from the FIS, is responsible for processing the bids for goods and services, and contracts are signed between the FIS, the applicant, and the contractor. Disbursements are made directly by the FIS to the contractor on the basis of supervisory and monitoring reports from its the Operations Department. The FIS transfers funds to municipalities considered to have sufficient technical capacity, and payments are made directly by them. Advances to contractors may not amount to more than 20% of the contract, and their payment is conditional upon presentation of a bank guarantee by the contractor.
- 3.8 When the applicant is a municipality that does not have the capacity to conduct the bid process, the pertinent Regional Development Corporation will conduct the process on the applicant's behalf under an express legal provision that authorizes it to provide support for weaker local governments.
- 3.9 Municipal counterpart. All the projects in the program require a contribution of at least 10% between community support and the

institutional counterpart. Community support may take the form of labor, storage and transport of materials, cash, or other support previously agreed upon. The institutional counterpart comes from the additional funds paid to the municipalities under the Civic Participation Act, which requires them to budget funds for investment projects and for their operation and maintenance. A higher local counterpart will be required from municipalities with the ability to pay, which will be agreed upon during the negotiations.

f. Operation and maintenance

- 3.10 The FIS will ensure that the municipalities have the capacity to operate and maintain the systems financed. Funds to cover operating and maintenance costs that cannot be covered by receipts from billing must be budgeted out of the coparticipation funds paid to the municipality. The financing agreements between the FIS and the applicants will establish the obligations of the parties, stipulating the amounts to be financed by each, operation and maintenance obligations, the rates to be charged for sanitation projects, and other obligations relating to efficient project administration and continuity. To be eligible for future projects, it will be necessary for previously-financed services to be operated and maintained efficiently.

g. Control and tracking

- 3.11 Regardless of the type of execution, the FIS is responsible for technical and financial control and project monitoring through its regional units. The purpose is to ensure that the technical and quality requisites for the works financed are complied with. In addition, the civil works component will supervised by individual consultants or consulting firms hired for that purpose. The applicants will also appoint an employee or hire a consultant to supervise the works. Follow up on the preinvestment studies will be performed by the FIS Promotion and Evaluation Department, which will provide advisory services for the consultants responsible for project design.

2. Institutional strengthening for the executing agencies

a. Execution

- 3.12 Operational support for the municipalities and other executing agencies will be planned, coordinated, and supervised by the FIS through its regional units. The methodologies, training materials, and technical assistance per se, will be provided by specialized individual consultants or consulting firms.

b. Methodology

- 3.13 Stress will be placed on developing advisory methods geared to the technical and administrative capacity of the municipalities and adjusted to local characteristics. Materials written in a simple style, translated into the language spoken in the locality, and containing examples and practical applications will be used. Another priority is to effectively implement procedures for contracting works, the physical and financial monitoring of projects, and municipal financial and budget management. Technical advice will be provided for the officials directly involved in the execution or supervision of the activities in question. Consultants will be hired to develop the basic educational materials and teach the methods in workshops and practical courses attended by several municipalities and nongovernmental organizations in the same region. The procedures and systems will then be implemented in the municipalities themselves. Implementation of the processes of contracting and supervising works, financial control, and presentation of project accounts will be supervised by the FIS's field staff.

c. Selection of municipalities

- 3.14 The municipalities and nongovernmental organizations that will be given institutional training will be selected from among those that are the recipients of FIS projects. They must comply with the institutional eligibility criteria (have a core permanent staff able to take advantage of the training). They will be ranked in order of size (giving preference to the largest) and by the number of FIS projects for which they are responsible. This same criteria will be applied for the selection of municipalities to be included in the pilot plan to decentralize FIS activities, which will be given priority for institutional strengthening.

d. Entities eligible for financing

- 3.15 Municipalities, nongovernmental organizations, community organizations, religious institutions, and others that meet the eligibility criteria set out in the operating regulations will be eligible for financing under the program. However, as established in the Civic Participation Act, the municipalities are responsible for the maintenance and expansion of health care and education infrastructure, and are therefore the only entities authorized to carry out construction projects of this kind. Accordingly, it is expected that the municipalities will be the main applicants for financing for physical works under the program.
- 3.16 Nongovernmental organizations, community organizations, and religious institutions participate actively in community development and training programs, particularly in rural areas. The FIS has been supporting their work with good results and will continue to do so under the framework of the Civic Participation Act which

provides that NGOs are to be directly contracted by the municipalities and, to a lesser extent, by the FIS. In the proposed program, priority will be given to NGOs that work with gender issues, productive training, and ethnic groups.

3. Execution schedule

- 3.17 It is proposed that program funds be disbursed over four years and committed within three years after the loan contract becomes effective. The following disbursement timetable is envisaged: year one, 5%; year two, 20%; year three 40%; year four, 35%.

4. Recognition of costs incurred prior to the loan agreement and advances of funds

- 3.18 With Bank approval, and in accordance with current policies, up to US\$2 million of the loan may be used to reimburse costs incurred after April 1, 1995, for projects that comply with the program's operating regulations. The Bank will also recognize the local contributions made to finance said projects, up to US\$200,000, as part of the counterpart contribution. An advance of 10% of the loan is proposed.

5. Program monitoring and quality control of projects

- 3.19 Progress in the program and the quality of the projects will be monitored using the FIS's project tracking system, by its Audit Department (paragraph 4.5), which will be strengthened under the present program. Project results will be monitored using a system to evaluate a sample of projects (paragraph 2.30). The objective is to verify the results obtained in comparison with the indicators identified in the program's logical framework (Annex II-1) and to evaluate the stages in the project cycle (technical, design, execution, supervisory, and operational aspects) to identify needed corrections, improve technical quality, and provide inputs for programming new projects. Semiannual monitoring reports will be prepared based on these evaluations, including conclusions and recommendations on the program. The reports will be presented to the FIS's Board of Directors for consideration and will serve as the basis for progress reports that the Bank will review every six months.

6. Semiannual progress reports

- 3.20 During the program, the FIS will present semiannual progress reports to the Bank discussing the works financed, the beneficiaries served, the procedures followed in using the financing, data on project execution, and corrective actions taken. The reports will include progress in executing the institutional strengthening component, particularly the results of operational support for the municipalities. The consultants' recommendations on FIS strategic planning and other results of the institutional consulting services will be attached to the semiannual reports.

- 3.21 The reports will be presented during the entire program execution period and will be based on general guidelines whose contents will be agreed upon prior to the date of the first semiannual report.

7. Inspection and supervision

- 3.22 The Bank's Country Office in Bolivia will be responsible for program inspection and supervision. In addition to routine activities, two annual meetings are proposed to evaluate the project pipeline, the status of local contributions, and progress towards the goals of decentralization of FIS activities and administrative efficiency.

8. External auditing

- 3.23 The financial statements for the program and the FIS during the execution period and for the two years following the final disbursement of the loan will be presented annually by the FIS to the Bank, audited by a firm of public accountants acceptable to the IDB.

9. Ex post evaluation

- 3.24 At the request of the executing agency, the program will not finance an ex post evaluation. However, the FIS and UDAPSO, with advice from the World Bank, are developing an ex post evaluation system including indicators to measure intermediate and final impact whose results will be presented to the Bank.

IV. EXECUTING AGENCY

- 4.1 Established in January 1990, the Social Investment Fund is a public institution that reports to the Ministry of Human Development, with corporate status and its own assets, and no time limit on its existence. The FIS is one of the most effective instruments for carrying out the government's social policy, particularly on account of its extensive experience in implementing social projects targeted to low-income groups.

A. Organizational structure

- 4.2 Its senior authority is the Board of Directors with five members including the chairman. The chairman of the board is proposed by the President of the Republic and confirmed by Congress, for a renewable five-year period. The members of the board come from the private sector and are appointed by the Minister of Human Development. The Board of Directors is responsible for approving all projects financed by the Fund. The legal advisory, income, and internal auditing units report directly to the executive manager. Other key units in the FIS, are the Department of the General Manager, which is responsible for operations and institutional planning, and the Planning Department, which is responsible for the annual investment plan and management of the information systems.
- 4.3 Particularly important for execution of this program are: (a) the Promotion and Evaluation Department which identifies and promotes projects through participative planning and analyzes and presents projects to the Board of Directors; and (b) the Operations Department which is responsible for projects from the procurement stage to their conclusion and delivery to the applicant. Both have three regional offices, each responsible for three of the country's departments.
- 4.4 Since 1994, the Operations Department has had offices in eight of the country's nine departments, with the power to decide on problems in execution, supervision, and payment for projects. This streamlines execution, shortening the time taken to solve problems that previously had to be settled in La Paz. One of the objectives of the component to modernize the computerized information system (paragraph 2.29) is to facilitate decentralization of the Promotion and Evaluation Department, which will make for closer ties with the beneficiaries, reduce the time needed to process projects, and lower the FIS's operating costs.
- 4.5 **Audit Department.** Projects are evaluated ex post by the Audit Department which has been using sampling techniques for the last three years, and has been systematically evaluating all FIS programs. In light of its experience, the quality of its work at present, and the institutional strengthening it will receive, program monitoring will be conducted by this unit.

B. Financial aspects

1. Flow of funds

- 4.6 The following table shows how the FIS's investment and operating costs have been financed since the initiation of its operations in 1993, giving the figures for 1994, the budget for 1995, and projections for subsequent years.

Table IV-1
FIS annual flow of funds
(in US\$ millions)

Source	1993	1994	1995	1996	1997	1998	Total	%
World Bank and others ^{1/}	27.6	24.8	29.1	16.2	3.5	--	101.2	57.7
IDB	--	--	3.0	14.9	19.8	19.1	56.8	32.4
Local contributions	2.4	3.3	9.2	9.2	8.9	5.1	17.3	9.9
Total	30.0	28.1	41.3	40.3	32.2	24.2	175.3	100.0
Uses								
Investments	26.2	24.6	36.8	36.8	28.7	20.7	153.0	87.3
Administration	3.8	3.5	4.5	3.5	3.5	3.5	22.3	12.7
Total	30.0	28.1	41.3	40.3	32.2	24.2	175.3	100.0

^{1/} OPEP, Governments of Sweden, Canada, Holland, Switzerland, United Kingdom, Denmark, and Germany

- 4.7 The program can be executed by the FIS in four years if annual investments continue at levels similar to those in 1993-1994.

2. FIS operating costs

- 4.8 Over the period 1992 through 1994, (see table IV-2) the FIS's recurring costs averaged US\$3.5 million a year. The Treasury Department financed an average of 25% (US\$875,000) with foreign donors providing the remaining 75%. Agreements between the IBRD and the FIS indicate that funds will be available to finance the FIS's administrative costs up to and including January 1997. Afterwards, the FIS will finance its administrative costs that are not covered by the Treasury Department, by charging applicants a percentage of the total cost of their projects for technical and administrative services.
- 4.9 This would be an indirect way of having the Treasury Department assume the costs of the FIS, since the contributions provided by the beneficiaries would come from the coparticipation funding transferred by the Treasury to the municipalities. The mechanism has the advantage of making the cost of the services provided by

the FIS explicit. The system ensures that the FIS can respond adequately to its clients' requirements.

- 4.10 The plan has been approved by the Bolivian authorities and external financing agencies, but the mechanism through which it will operate will have to be presented to the Bolivian financial authorities and subsequently to the Bank for approval.
- 4.11 The Bank considers this mechanism to be appropriate, provided that steps are taken to reduce operating costs and increase efficiency. Agreements have been reached with the FIS with regard to: (i) adoption of a pilot plan to delegate activities to the municipalities; (ii) greater delegation of functions to its regional units; and (iii) establishment of administrative efficiency targets to be attained during the program. The measures to be carried out under the program are described below.

3. Organizational and financial measures

a. Delegation of functions within the FIS

- 4.12 Delegation got under way at the beginning of 1994, with decentralization of Operations Department activities to eight of the country's nine departments in order to interact more closely with the communities, increase the number of projects per supervisor, tighten control, and shorten execution. Before then, all decisions regarding project execution, including payments, had to be approved in La Paz. The FIS will stress decentralization of project promotion and evaluation activities, and once this has been done, all activities in the project cycle - except for approval by the Board of Executive Directors - will be carried out on the departmental level. This is expected to increase the quantity of projects executed each year and reduce operating costs in relation to investments.

b. Delegation to municipalities

- 4.13 To increase local participation in project execution and support implementation of the Civic Participation Act, the FIS will prepare a pilot project to decentralize activities which will gradually transfer responsibilities for project execution to municipalities in a position to shoulder them. The plan will begin with a limited number of municipalities and will be extended depending on the results obtained. By transferring the execution of activities that are not technically complex, the FIS will help to strengthen local governments without sacrificing project quality, increase the sense of project ownership in the municipalities, reduce costs, and be able to focus on activities that demand greater technical capacity. Presentation of the decentralization plan, identifying the municipalities programmed for 1996, will be a condition precedent to the first disbursement.

c. Administrative efficiency

- 4.14 Table IV-2 shows the behavior of FIS spending and investments over the period 1992 through 1995.

Table IV-2
Indicators of administrative efficiency
(US\$ million)

Item	1992	1993	1994	1995
A. Costs				
1. Investments	14.34	26.24	24.55	36.90
2. Recurring costs	3.46	3.61	3.43	4.01
Efficiency indicator (A2/A1)	24.1%	13.7%	13.9%	10.9%
B. Personnel				
1. Operations personnel (#)	43	40	52	54
2. Other personnel (#)	<u>124</u>	<u>132</u>	<u>136</u>	<u>134</u>
3. Total personnel (#)	<u>167</u>	<u>172</u>	<u>188</u>	<u>188</u>
Personnel efficiency indicators				
Persons/US\$1 million (B1/A1)	3.0	1.5	2.1	1.5
Persons/US\$1 million (B3/A1)	11.1	6.6	7.7	5.0

Source: FIS Accounting Department.

- 4.15 As can be seen from the table, FIS costs (A-2) show a moderate rising trend that is unrelated to investment levels. Efficient administration requires a direct link between investments and recurring costs, which also reflect increases in productivity, which means that the ratio between recurring costs and investments (A2/A1) should move downward.
- 4.16 The FIS projects that its cost-investment ratio will improve in 1995, falling to 10.9% as the result of a substantial increase in the investments to be made, which will rise from US\$24.5 million in 1994 to US\$36.9 million in 1995.
- 4.17 The program also proposes that the FIS should make an effort to modernize its administration, which ought to be reflected in its cost-investment ratios. The target is 10% as of December 31, 1996, to be maintained or lowered over the life of the contract. It is also proposed that the personnel-investment ratio be held at 5 or less. To attain this objective, the FIS will have to adjust its organization to ensure that a higher proportion of its costs vary in function of investment levels, so that it can meet the required administrative efficiency targets.

V. PROGRAM FEASIBILITY

A. FIS: Focus on poverty alleviation

- 5.1 The fundamental mandate of the Eighth Replenishment is to target more funding to the social sectors, promoting social equity and poverty alleviation in Latin America. It has specified that 40% of the total volume and 50% of the total number of operations must be directed to the social areas described in paragraph 2.13 of document AT-1704. This program clearly fits into the social area, since it consists of investments in health care, education, and basic sanitation.
- 5.2 For closer monitoring of compliance with this mandate and in accordance with paragraph 2.15 of document AT-1704, in May of this year conditions were established that automatically determine whether a project is focused on poverty reduction: (i) if the borrower country has a poverty index of over 50%; or (ii) if a project supports activities such as primary education, health care, etc. Since the poverty index in Bolivia is 58.7%, and the FIS makes investments in health care, education, and sanitation, the program can be considered as focused on low-income groups.
- 5.3 To focus FIS activities even more closely, one of the selection criteria was that projects had to be located in municipalities ranked as priorities by the Bolivian government in its struggle against poverty. These 178 municipalities were selected on the basis of the poverty map drawn up in December 1993 by the Social Policies Unit (UDAPSO), the National Institute of Statistics, the Population Policies Unit, and the Economic Policies Unit, under the Ministry of Human Development. A comprehensive study of poverty in Bolivia was conducted using the methodology of unmet basic needs (see table V-1) and data from the 1992 Population and Housing Census.
- 5.4 Based on the levels of unmet basic needs, poverty indicators such as magnitude, incidence, and intensity were measured in all cantons. This allowed for a detailed stratification of poverty on the national level, including household characteristics as measured by heads of households, migration, level of education, native tongue, type and branch of economic activity, category, and occupation. The map has been a key tool in helping the government to focus its poverty alleviation efforts more precisely.

Table V-1
Poverty map

Basic needs are classified as follows for the purposes of the Bolivian poverty map:

Housing: (i) predominant type of construction materials (cement or brick floors, galvanized iron roof, whitewashed adobe or wood walls); (ii) number of rooms and bedrooms in relation to the number of people in the family (2 bedrooms for every 5 people, 1 kitchen, 1 multipurpose room for 5 people).

Basic services: (i) water supply and source (water from a public or private network carried by pipes to a location outside the house but on the lot, well water, or water piped into the house) and availability and use of sanitary services and sewer systems (urban: sewers or septic tanks exclusively for the household; rural: private facilities for the household with weeping tiles or septic tank drainage; (ii) electricity in the household and the fuel used for cooking (gas or electricity).

Education: (i) years completed; (ii) attendance (attendance at a formal school by youngsters between the ages of 7 and 16); (iii) literacy (persons 10 years of age and over able to read and write).

Health and social security: (i) Access to health and social security centers (in premises belonging to the former Ministry of Social Welfare and Public Health).

1. Impact on vulnerable groups: women and ethnic groups.

- 5.5 The program will have a very positive impact on the most vulnerable groups - women and ethnic groups - which make up over one half of the final beneficiaries of FIS projects. The benefits will result in better access to education for women (formal and nonformal), greater potential for finding a job, and improvements in their well-being and the well-being of their families.
- 5.6 Investments in sanitation and health care also help to improve productive potential and facilitate joining the workforce. Since the project includes education reform, ethnic groups will be given the opportunity of learning in their native tongue and in Spanish, aside from raising their levels of formal education. The beneficiaries will also have access to nonformal education and to job training specifically geared to women and ethnic groups.
- 5.7 To improve the focus on these two population groups, the program provides for 15 person-months of consulting services (paragraph 2.32) for the FIS to verify the impact on those groups and improve its analytical capacity regarding ethnic and gender issues, which will insure there are no gaps in areas in which it could improve its actions, both in the field and in its operating procedures. Its monitoring and tracking capacity in these areas will also be boosted to enrich feedback, which will improve the design of projects involving focused training programs.

B. Feasibility

- 5.8 The feasibility analysis of the investment component is based on a review of the complete project pipeline, an evaluation of the FIS's execution capacity, and an evaluation of an indicative sample of projects executed and under way, as a supplement to the mid-term

evaluation performed by the World Bank in May 1993 as a prelude to approval of its second operation for US\$40 million.

1. World Bank mid-term evaluation

- 5.9 The evaluation was performed by a team of 14 professionals from the World Bank and from four northern donor countries. The purpose was to examine the FIS's compliance with its mandate and whether the mandate is valid for both the short and long runs. The team concluded that: (i) the FIS has developed substantial institutional capacity to finance, execute, and track investment projects in the social sectors; (ii) it has attained the necessary technical and procedural levels to insure the transparent application of objective criteria in project selection and evaluation, taking the local context into consideration; and (iii) it has performed efficiently in its two years of existence, channelling funding through social projects in the areas of health care, education, and sanitation.
- 5.10 Despite these positive conclusions, the team made recommendations, principally with regard to FIS operations. The most relevant for the proposed loan are: (i) a better balance should be sought between the FIS's evaluation capacity and its project execution capacity, since it evaluates and approves projects worth US\$40 million each year, but executes just US\$25 million; (ii) projects should be accompanied by training in administration, operation, and maintenance; (iii) the indicators for results, tracking and feedback should be improved, since it was noted that the recommendations made by the FIS's Audit Department are not fully implemented by the offices in charge of the project cycle; (iv) a medium- and long-term financial plan should be prepared, which moves towards financial self-sufficiency for the FIS; and (v) the plan to decentralize the FIS should be implemented.
- 5.11 The IDB's analysis mission verified that the World Bank's recommendations were being implemented, and its suggestions regarding project evaluation and supervision had been included in FIS's manuals. Furthermore, the IDB loan establishes more precise requirements with regard to indicators of results and a logical framework has been prepared for the program (Annex II-1), which will serve as the basis for the evaluation. Comprehensive supervision of the projects rather than supervision by component has also been provided for, as has training for the beneficiaries in project operation and maintenance. The information system will be modernized, which is a must for decentralizing the FIS, and a pilot program has been established to gradually delegate project execution to the municipalities.

2. Technical and socioeconomic feasibility

- 5.12 As a result of the supervisory and feedback mechanisms, the FIS will continue to improve the quality of projects by updating the "Project Presentation Guide", which provides guidelines for

preparing applications and sets out eligibility requirements, listing the social, institutional, technical, and financial areas for which full information must be presented. As part of program requirements, supervisors will be appointed per project and not per component, and the recommendations of the analysis mission will be included in the FIS guide and in its evaluation, monitoring, and supervisory manuals.

- 5.13 To calculate costs, the FIS has a database of unit prices for all physical works in each sector program. These parameters have been developed taking account of the materials available, transportation costs, and labor in each region.
- 5.14 To analyze the program's technical and economic feasibility, a sample of 26 projects completed or under way was selected, similar to those to be carried out under the program. Thirteen of the projects in this sample are in the field of education, four involve water supplies, two involve sewerage, and seven are for health centers. The selection was based on criteria for program distribution, geographic distribution, headway in executing the works, and participation by ethnic groups.
- 5.15 To determine the technical feasibility of the program, the following factors were analyzed in the 26 projects in the sample: (i) community participation in the project process; (ii) adherence to the guidelines set by the pertinent federal government departments with regard to project preparation; (iii) projections for scaling; (iv) adequacy of the parameters and design criteria; (v) the alternatives considered; (vi) bidding and award of construction contracts for civil works; (vii) the execution of works, their cost, timetables, and compliance with the terms; (viii) orders for changes; (ix) supervision and quality control; and (x) operation and maintenance. The evaluation found the following defects in some of the projects: (i) the designs of health centers and schools were not functional with regard to the number and distribution of spaces or the provision of water, electricity, and toilets; (ii) the contracting and supervisory process was not optimum owing to lack of coordination among the different project component and neglect of control over compliance with schedules. Whenever possible the pertinent corrections have been made, and it can be said that the works built are generally of good quality and, as far as this factor is concerned, the projects can be expected to operate adequately and stably. As preventive measures for stage II of the FIS program, the recommendations regarding design standards have been incorporated into the FIS Project Presentation Guide and its manuals for project follow up and supervision.
- 5.16 Three aspects were considered in determining the socioeconomic feasibility of projects: (i) an evaluation based on cost-efficiency criteria, taking account of effective demand, adequate scaling, and the selection of minimum-cost technical

solutions; (ii) inclusion of counterpart funds in the municipal budgets; and (iii) a continuity plan to ensure adequate operation and maintenance of projects during their useful life. All the projects in the example were found to be viable. In addition to the safeguards already introduced by the FIS, the program includes training for beneficiaries on the use of services and their operation and maintenance as an additional guarantee of project continuity. The program will also require the municipalities to budget operating and maintenance funds in the years following completion of a work.

- 5.17 The cost-efficiency indicators used for project evaluation were obtained from typical projects for each of the subprograms, whose amounts will serve to compare the unit costs for construction and per beneficiary of the projects in the program. Any positive or negative differences should not be greater than 15% and exceptions will have to be justified. To determine these reference values, the current costs of education, health care, and basic rural sanitation systems were studied for each of the country's departments. The following table shows average evaluation indicators per subprogram.

Table No. V-2 Average evaluation indicators (in US\$)		
Subprogram	Cost/unit	Cost/beneficiary
Education:		
Six-room school	147.82/M ²	519.05
Three-room school	158.31/M ²	591.86
One-room school	187.30/M ²	862.19
CERPI	116.34/M ²	82.69
Health centers:		
Community	144.74/M ²	36.67
Sector	140.00/M ²	21.42
Basic sanitation:		
Potable water	45.17/M	71.27
Waste disposal	47.61/M	76.18

- 5.18 The FIS has committed itself to an administrative efficiency program which will boost its sustainability. The existence of the FIS as an entity can be justified insofar as it is an effective tool for making national social investments. It is estimated that the pace of program execution - measured by disbursements - will be at least US\$25 million a year, similar to the period 1993-1994 (paragraph 4.6). Given the improved financial situation of the municipalities, thanks to the coparticipation funds (paragraph 1.12) and to the fact that 35% of the existing project pipeline has already been evaluated and is ready for execution, the program is expected to proceed in an agile fashion.

C. Institutional and financial feasibility

- 5.19 The institutional feasibility of the FIS is based on: (i) firm political support and public acceptance, particularly in remote areas and by the poor; (ii) its operating efficiency; (iii) its experience from 1987, when it was the Social Emergency Fund, to date; (iv) the continuity and technical level of its core management and technical staff, many of whom have been with the institution since its inception; (v) it has external financing to cover its recurring costs until the beginning of 1997; and (vi) for the subsequent years, a financial plan has been prepared and accepted by external donors and the Bank, which involves charging a fee to the applicants for project execution costs incurred by the FIS. The FIS has operational, financial, and administrative manuals and rules which it has been using and continually updating over three years. Under the operation proposed here, its computer system will be upgraded which will streamline decentralization, for an expected improvement in execution levels.

D. Environmental feasibility

- 5.20 The program was classified by the Environment Committee as a Category III operation. Accordingly, an environmental summary was prepared which reviewed the criteria for evaluating projects to be financed by the FIS and verified that the institution complies with the Bank's policy on disclosure established in document GN-1831-3, which requires that the project beneficiaries be informed of environmental impact and mitigation measures. The summary was approved by the Environment Committee on April 25, 1995.
- 5.21 The environmental analysis concluded that the types of projects to be financed by the program are small in scale and generally have positive environmental impact. The projects for schools and health care infrastructure will improve the quality of life of the public and include measures for waste management. The sanitation projects will reduce pollution and upgrade the environment in rural zones and small municipalities.
- 5.22 The potentially negative environmental impact of the projects is low and can be avoided or mitigated by applying technical standards and simple measures. In the case of health care and school projects, the negative effects have mainly to do with the possibility of pollution owing to inadequate waste disposal; for the sanitation projects, the risk involves pollution of surface and underground water.
- 5.23 The FIS has evaluation manuals and project preparation guides that include the environmental protection measures called for under existing legislation. The FIS has presented its operations manuals to the Bank to enable it to verify that the recommendations and procedures for judging environmental feasibility are consistent with the studies and recommendations.

E. Program benefits and risks

- 5.24 All investment projects entail concern for their subsequent operation and maintenance. This risk is minimized in the proposed operation by the following factors: (i) the Civic Participation Act guarantees that funds will be available for investment and maintenance; (ii) the projects have been requested by the beneficiaries through participative planning and the beneficiaries will be called upon to contribute to the financing; (iii) the FIS will provide training to ensure that the municipalities have adequate capacity to operate and maintain the infrastructure financed; (iv) the municipalities will undertake contractually to budget the funds needed for operation and maintenance; (v) no project request may be submitted unless it has been assigned sector priority by the government department involved, which guarantees that the salaries of the technical staff will be paid.
- 5.25 In the event the FIS finds during its annual supervision activities that a project is not being adequately maintained, the municipality in question will not be eligible for a new project.
- 5.26 Last, in its direct work with the municipalities, particularly in remote areas, the FIS has encountered **limited technical capacity** on the part of local governments to identify, prepare, and execute development projects, and administer and maintain them. Consequently, a municipal strengthening component has been included in the proposed operation.
- 5.27 Despite these risks, the potential benefits of the program clearly justify it. Execution of this operation will contribute to the **major reforms that are being introduced in Bolivia** to improve the quality of education services, which will soon extend to health care. The FIS plays a key role in providing the infrastructure required to increase the coverage of health care, education, and basic sanitation. Accordingly, the program will help to reduce maternal and infant mortality and morbidity and to upgrade human capital and its productivity through education.
- 5.28 This operation will also help to **alleviate poverty** by meeting basic necessities in the fields of education, health care, and sanitation in the poorest municipalities which are priorities for the government. It will also strengthen the administrative capacity of those municipalities, enabling them to shoulder their new responsibilities efficiently and effectively, against the backdrop of the Civic Participation Act.
- 5.29 The operating efficiency and financial solidity of the FIS will be **strengthened** by upgrading its information system, the recovery of some of its recurring costs, and decentralization under the pilot plan to delegate certain project execution functions to the municipalities and to the FIS's regional units.

LOGICAL FRAMEWORK

OBJECTIVES	INDICATORS	MEANS OF VERIFICATION	ASSUMPTIONS
the levels of schooling and the municipalities involved.	<p>HEALTH CARE</p> <p>To reduce the maternal and infant mortality rates by 20%, with respect to the goal established by the SNS, and mortality owing to the lack of basic sanitation by 25%.</p> <p>EDUCATION</p> <p>To reduce the school dropout rate by 8% (between grades 3 and 8) and increase the school retention rate by 20%.</p> <p>To boost the productivity indexes of the communities involved by 20%.</p>	<ol style="list-style-type: none"> 1. The National Health Information Service of the Department of Health (SNIS). 2. Reports from the quality of education measurement system (SIMECAL) of the SNE. 3. Surveys of beneficiaries. 	<p>The Ministry of Human Development through its Departments of Health and Education, continues technical financial support for the health and education components.</p> <p>The municipalities and communities continue the administrative and financial support for which they are responsible.</p>
age and quality of health, sanitation, and education is improved through the use of appropriate technology, equipment, and	<p align="center">1998</p> <p>According to the specifications of each program.</p> <p>HEALTH CARE</p> <ul style="list-style-type: none"> - Increase in the number of people with access to safe water: 116,700 - Families using waste disposal systems: 555 - Families with trash collection services: 860 - Increase in the percentage of care for pregnant women: <ul style="list-style-type: none"> to 40% for prenatal care to 50% for births in institutions and high-risk pregnancies to 60% for home deliveries - Increase in the percentage of child health care: <ul style="list-style-type: none"> to 80% monitoring under age 2 to 60% care for acute diarrheal diseases (ADD) and acute respiratory infections (ARI) in comparison with the current percentages in the health program. <p>EDUCATION</p> <ul style="list-style-type: none"> - Increase in pupils attending central schools from 38,400 to 48,600 - Pupils attending one-room schools from 10,000 to 12,300 - Students attending CERPIs: 37,500 to 52,500. 	<ol style="list-style-type: none"> 1. Surveys of beneficiaries. 2. Health center records. 3. School records. 	<p>The beneficiary schools and health centers operate their services at the levels necessary to comply with the objectives and receive technical financial support from their municipal, federal government departments, and the communities.</p> <p>The Campesino Development Fund effectively provides projects and productive infrastructure in the communities that received training for projects.</p>

OBJECTIVES	INDICATORS	MEANS OF VERIFICATION	ASSUMPTIONS
<p>structure and equipment ed and in use.</p> <p>vestment studies completed.</p> <p>ing provided.</p> <p>itional support provided.</p> <p>vision carried out.</p>	<p>Up to July 1998, in accordance with the specifications for each program:</p> <p>HEALTH CARE</p> <ul style="list-style-type: none"> - 58 to 70 health centers of different levels of complexity. - 165 to 195 safe water systems of different sizes and types. - 20 to 25 sanitary sewer systems. - 5 to 9 solid waste collection systems. - 140,000 users trained. - 185 to 195 organizations responsible for operation and maintenance trained. <p>EDUCATION</p> <ul style="list-style-type: none"> - 110 to 140 central schools. - 330 to 410 one-room schools.. - 7 to 9 CERPIs - 12 to 16 rural boarding schools. - 9 to 12 informal training centers serving from 22,000 to 28,000 people, about half of whom are women. 	<p>1. Certificates of acceptance of components/contracts per project in keeping with the specifications, issued by the Operations Department.</p>	<p>Trained personnel continues to employed or has transmitted kn</p> <p>Trained community applies the acquired.</p> <p>Health and education authoriti the process of making standard compatible and applying them t conducted by the FIS.</p> <p>Rural teachers accept the Educ Reform.</p> <p>The municipalities comply with Participation Act.</p>
<p>S</p> <p>ct projects designed through participative planning.</p> <p>uate and approve the projects cted.</p> <p>er and contract the goods and ices.</p> <p>ow up on the execution of racts for goods and services.</p> <p>y preinvestment policies and s to selected projects.</p> <p>are preinvestment contracts.</p> <p>ote training with NGOs and ate social development cies (PSDAs).</p> <p>training contracts with NGOs PSDAs.</p> <p>ote operational support for cted applicants.</p> <p>operational support racts.</p> <p>ract supervisors following blished procedures.</p>	<p>1996 1997</p> <p>Number of projects:</p> <p>1. Infrastructure and equipment: 14,085 14,085</p> <p>2. Preinvestment: 920 920</p> <p>3. Training: 1,435 1,435</p> <p>4. Operational support: 635 635</p> <p>5. Supervision 1,425 1,425</p>	<p>1. Information on budgets and spending. Conciliation of accounts between the Operations and Administrative Departments.</p>	<p>The applicants comply with the counterpart commitments.</p> <p>The study by the Rural Develop (G-DRU) on the supply of train for rural areas has been compl timely fashion.</p> <p>The external consultants prese report on the analysis of heal up to 15/5/95.</p> <p>Annual planning in October eac together with the municipaliti within the expected parameters</p> <p>External financial resources w available for disbursement beg January 1996 or earlier.</p>

OBJECTIVES	INDICATORS	MEANS OF VERIFICATION	ASSUMPTIONS
COMPONENT: BASIC SANITATION			
Contribute to the national plan to reduce illness and death caused by the lack of basic sanitation in the zones involved.	<p>In 1999</p> <ol style="list-style-type: none"> 1. Episodes of diarrhea in children under five between 114 and 345 per mil in 1993 reduced by 25%, as a consequence of the basic sanitation services provided. 2. Deaths from cholera between 1.2 and 7.2 percent in 1993 reduced to 50%. 	<ol style="list-style-type: none"> 1. SNIS publication for 1999 by the Department of Health. 2. Idem. 	<p>The local entities responsible for operating and maintaining the sanitation systems maintain the levels foreseen in the project.</p> <p>The health centers maintain the levels established by the Department of Health.</p>
Is increased and appropriate use of basic sanitation in priority regions and cities.	<p>As of June 1998:</p> <ol style="list-style-type: none"> 1.1 In year one 70,000 beneficiaries obtain at least 40 l/day of safe water year-round from residential connections; 29,200 beneficiaries obtain at least 20 l/day from public taps; and 17,500 beneficiaries obtain at least 10 l/day from household wells. The numbers will increase annually in accordance with the rates determined for each project. 1.2 At least 555 families (20% of the beneficiaries) have toilets in their houses and dispose of sewage through sewer connections. The number will increase at the rate of 15% a year. 1.3 In year one, 860 families will have weekly trash collection service. The number will increase annually according to the targets specified in each case. 2.1 30% of the beneficiaries follow hygienic practices related to washing hands after handling food, water management and storage, personal hygiene and clean clothing to prevent scabies. The percentage will increase by 20% a year. 2.2 All the systems built receive regular preventive and corrective maintenance and are in working order. 2.3 All the entities responsible for operation and maintenance cover their operating costs. 	<ol style="list-style-type: none"> 1. Surveys of the beneficiary communities and/or the records of the entities responsible for each service. 2.1 Social surveys. 2.2 Inspections and reports by the entities responsible for operation and maintenance. 2.3 Accounting records of the entities responsible for operation and maintenance. 	<p>The epidemiology services continue to monitor epidemics and provide assistance to deal with them.</p>

OBJECTIVES	INDICATORS	MEANS OF VERIFICATION	ASSUMPTIONS
<p>S</p> <p>works for basic sanitation equipment in service.</p> <p>ity trained to use the es.</p> <p>es responsible for operating maintaining the systems ed.</p>	<p>Up to June 1998</p> <p>DRINKING WATER</p> <p>1.1 75 to 90 systems with residential connections, 60 to 70 systems with public taps and 30 to 35 systems with wells providing safe drinking water with the capacity to meet demand by the year 2014 (specified in the reports in each case).</p> <p>SEWAGE DISPOSAL</p> <p>1.2 From 20 to 25 sewage systems with the capacity to service the population in the year 2014 without increasing the DBO 5 of receiving bodies to over 20 mg/l.</p> <p>SOLID WASTE</p> <p>1.3 From 5 to 9 solid waste collection and disposal systems provided.</p> <p>TRAINING</p> <p>2. 140,000 users, including 85,000 women training in hygiene and health, and aware of their roles in supporting the services.</p> <p>3.1 From 185 to 195 entities, cooperatives, and committees responsible for the operation and maintenance of basic sanitation systems trained in pertinent technical and administrative areas.</p>	<p>1. Certificates of acceptance of project components in accordance with the specifications of the Operations Department.</p> <p>2. Idem.</p> <p>3. Idem.</p>	<p>1. Community trained to apply how acquired.</p> <p>2. Personnel of the local ent. responsible for operation. maintenance trained and co their jobs.</p>

OBJECTIVES	INDICATORS	MEANS OF VERIFICATION	ASSUMPTIONS
<p>st applications/participative ing. e preinvestment (1) in sary cases. re project designs. ate projects. ve projects. r (2) and award contracts for and works. contracts for goods and t. t and contract supervisors or and supervise overall ct execution. te training projects with</p> <p>contracts with NGOs.</p> <p>1) Financed by the IDB. 2) IDB finances agency costs. 3) Financed by the IDB. ne other activities are by the IDB.</p>	<p>(Budget in US\$ millions)</p> <p>1. Infrastructure and equipment 1995 1996 1997 0.80 5.50 2.20 (85%)</p> <p>2. Community training 1995 1996 1997 0.02 0.30 0.28 (06%)</p> <p>3. Institutional training 1995 1996 1997 0.04 0.50 0.36 (09%)</p>	<p>1. Information on budgets and costs. Conciliation of Operations and Administrative Department accounts.</p> <p>2. Idem.</p> <p>3. Idem.</p>	<p>Funds from the loan can be com of October 1995 in order to ap projects and sign donation agn</p> <p>Funds can be committed as of C to tender and award contracts.</p> <p>Annual planning and review of projects in October of each ye municipalities remains within expected parameters.</p> <p>The applicants comply with the counterpart commitments.</p> <p>All the projects in the progra approved on schedule, by Decem the latest.</p>

COMPONENT: HEALTH CARE

(general objective) to reduce national maternal infant mortality rates.	Maternal and infant mortality indicators have been improved by 20% as compared to the national goals of the Department of Health (SNS).		<ul style="list-style-type: none">- National health information system (SNIS).- INE health statistics (ENDSA).- Information from the nutritional epidemiological surveillance system (SVEN).- Population and Housing Census (INE-2002).- Secondary information from NGOs, churches, and the community.- Information from the Social Security System.	<p>Health care, sanitation, basic infrastructure, and job training are executed in an integrated manner in the selected areas.</p> <p>The municipalities support community health projects such as supporting infant nutrition, food security, and epidemiological monitoring.</p> <p>The Ministry of Human Development through its different departments supports health programs and services.</p> <p>International cooperation in technical health supports the goals with technical and technical advisory services.</p>
	The goals of the SNS are:			
	INDICATORS	GOAL 97		
	Maternal mortality	From 400 to 250 x 100,000 NV		
Infant mortality	From 62 to 50 x 1,000 NV			
	Urban	From 100 to 70 x 1,000 NV		
	Rural	From 80 to 60 x 1,000 NV		
	National			

OBJECTIVES	INDICATORS	MEANS OF VERIFICATION	ASSUMPTIONS
Specific objectives) Health care coverage has been increased in areas eligible for assistance, in support of the Department of Health and the municipalities involved.	In 1996 and 1997, the coverage of the health centers receiving support has improved as follows:	- National health information system (SNIS).	The Ministry of Human Development through its different departments supports health programs and services.
		- Information from the nutritional epidemiological surveillance system (SVEN).	The Department of Health strengthens organizational and operational aspects of the different health centers assisted, in close cooperation with municipalities (strengthening information subsystems, supplying transportation, communications, etc.).
		- Quality audits by the Department of Health.	Supplementary measures are taken in municipalities with regard to the management and support of the health centers to improve the supply of services.
		- FIS follow-up reports (SIS).	The Department of Health develops strategies and mechanisms to train personnel in the work.
		- Research and secondary information from NGOs, churches, municipalities, and the community.	
T: (Results)	1. In 1996, between 58 y 70 sector, area, and district health centers are built, equipped and supplied, and operating efficiently, with an investment value of US\$3.4 million and a beneficiary population of between 215,000 and 230,000.	- Quality audits by the Department of Health.	A new agreement is signed by the Department of Health regarding structural changes in the country, particularly civic participation.
	2. All the centers involved have concluded institutional training for staff operating the systems under joint projects with an investment of US\$300,000 and a direct beneficiary population of between 400 y 500 trained personnel.	- FIS follow-up reports (SIS and SIF). - Updated population censuses of health services. - SNIS. - Reports by the Department of Health's Human Resources Bureau.	The Department of Health, together with the PSF, PROISS, FIS, CCH y DCC, up the processes of making rules, action strategies compatible, defining the official health management. The Department of Health's Human Resources Bureau defines a unified training strategy in cooperation with UNICEF, PAHO/WHO, and other health programs and projects.

OBJECTIVES	INDICATORS	MEANS OF VERIFICATION	ASSUMPTIONS																											
<p>ized community groups trained</p> <p>Participation</p> <p>Traditional medicine</p> <p>Priority programs</p> <p>Promotion of the use of services</p> <p>Community epidemiological surveillance</p>	<p>3. Out of a total health center beneficiary population of 215,000 - 230,000, focus group training has been provided for 10,000 - 13,000 direct beneficiaries and 50,000 - 60,000 indirect beneficiaries through community training projects, with an investment of US\$300,000.</p>																													
<p>tion of projects based on</p> <p>icipative planning in the</p> <p>ipalities.</p> <p>ication of preinvestment</p> <p>ies and rules.</p> <p>ation of selected projects.</p> <p>st approval.</p> <p>r and award contracts for</p> <p>, goods, and services.</p> <p>st supervisory services.</p> <p>or overall execution of the</p> <p>cts.</p>	<p>Budget for the US\$4 million allocated to the subprogram:</p> <table border="1"> <thead> <tr> <th colspan="4">(In US\$ millions)</th></tr> <tr> <th rowspan="2">PROJECT</th><th colspan="3">YEAR</th></tr> <tr> <th>95</th><th>96</th><th>97</th></tr> </thead> <tbody> <tr> <td>Infrastructure</td><td>0.90</td><td>1.20</td><td>0.11</td></tr> <tr> <td>Equipment and supplies</td><td>0.10</td><td>1.00</td><td>0.09</td></tr> <tr> <td>Institutional training</td><td>0.00</td><td>0.20</td><td>0.10</td></tr> <tr> <td>Community training</td><td>0.00</td><td>0.30</td><td>0.00</td></tr> </tbody> </table>	(In US\$ millions)				PROJECT	YEAR			95	96	97	Infrastructure	0.90	1.20	0.11	Equipment and supplies	0.10	1.00	0.09	Institutional training	0.00	0.20	0.10	Community training	0.00	0.30	0.00	<p>Promotion and evaluation reports (FIS).</p> <p>Planning and control reports (FIS).</p> <p>Follow-up reports (FIS).</p>	<p>The external consultants contr the FIS to analyze existing he services present their reports 05/15/95.</p>
(In US\$ millions)																														
PROJECT	YEAR																													
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COMPONENT: FORMAL EDUCATION

OBJECTIVE			
<p>Reform supported, with</p> <p>verage and quality indexes,</p> <p>female pupils.</p>	<p>Support for Education Reform by increasing coverage by 8% to 10% (coverage = extending schooling from grade three to the end of the primary cycle).</p>	<p>Schools assisted versus schools given priority under the Education Reform.</p>	<p>Pupils with better prospects f continuing with further educat expected under the Education R</p>
<p>ls provided with classrooms</p> <p>facilitate the teaching-and</p> <p>ing processes.</p> <p>s offering educational</p> <p>rt services, supplementing</p> <p>lassroom curriculum and</p> <p>ing cultural activities.</p>	<p>Situation at the end of the project:</p> <p>1a. From 38,400 to 48,600 pupils in core schools with classroom space of from 1.30 m² to 1.50 m² per pupil and adequate furniture, by June 1997.</p> <p>1b. From 10,000 to 12,300 pupils in one-room schools with classroom space of 1.80 m² per pupil and adequate furniture by June 1997.</p> <p>2. From 37,500 to 52,500 pupils with access to libraries, computers, videos, games, workshops and sports areas by 1997.</p>	<p>1a. Enrolment for 1997 for core schools.</p> <p>1b. Enrolment for 1997 for one-room schools.</p> <p>2. Attendance records for the different CERPI services for 1997.</p>	<p>The Education Reform will not substantial modifications.</p> <p>The Education Reform will be p understood by the national edu community.</p>

OBJECTIVES	INDICATORS	MEANS OF VERIFICATION	ASSUMPTIONS
<p>schools completed with ate infrastructure and ment.</p> <p>room schools completed with ate infrastructure and ment.</p> <p>Is completed and in ation.</p>	<p>1. From 110 to 140 core schools in service by June 1997.</p> <p>2. From 330 to 410 one-room schools in service by 1997.</p> <p>3. From 5 to 7 CERPIs in service by 1997.</p>	<p>Certificates of final acceptance of projects.</p> <p>Project completion records.</p>	<p>Project execution is normal.</p> <p>Disbursements are made on sche</p>
<p>S</p> <p>liminary selection.</p> <p>ew of the municipal plan of on.</p> <p>atibility with the FIS's al education subprograms.</p> <p>liminary analysis of profiles or selected projects.</p> <p>uation.</p> <p>d evaluation of projects or profiles.</p> <p>ical advice on final project aration.</p> <p>mination of preinvestment s.</p> <p>ical and financial uation of projects.</p> <p>uation report.</p> <p>oval by the Board of ctors.</p> <p>ering and awards for astructure and equipment.</p> <p>ature of contracts.</p> <p>ution and supervision.</p> <p>of project.</p>	<p>1. 150 to 190 core schools.</p> <p>450 to 570 one-room schools. 7 to 9 CERPIs.</p> <p>2. 110 to 140 core school projects presented to the FIS Board of Directors.</p> <p>330 to 410 one-room school projects presented to the FIS Board of Directors.</p> <p>5 to 7 CERPI projects presented to the FIS Board of Directors.</p> <p>3. From US\$8.8 million to US\$ 11.2 million approved for core schools. From US\$6.6 million to US\$8.2 million approved for one-room schools.</p> <p>From US\$1.5 million to US\$2.1 million approved for CERPIs.</p>	<p>1. Inclusion in the planning documents for each region, evaluator assigned.</p> <p>2. Project report evaluated.</p> <p>3. Project approvals by the FIS Board of Directors reflected in the minutes of its meetings.</p>	<p>1. Project profiles with ade information.</p> <p>2. Each project is within th parameters established fo projects.</p> <p>3. The requisites of the FIS Directors are complied wi</p> <p>4. Community and institution counterparts for the eval process are provided.</p>
COMPONENT: RURAL BOARDING SCHOOLS			
<p>(general objective)</p> <p>he implementation and of the Education Reform.</p>	<p>- From 12 to 16 rural boarding schools built and in operation.</p> <p>- From 12 to 16 rural boarding schools include bilingual and production components.</p> <p>- From 12 to 16 rural boarding schools serve 15 core schools in provinces selected for the first stage of the Education Reform.</p>	<p>- FIS evaluation and follow-up reports.</p> <p>- Review of the quality of education measurement system (SIMECAL).</p> <p>- School records.</p>	<p>- The rural boarding schools included in the Education R</p> <p>- The core schools are define Education Reform.</p> <p>- The Department of Education the pertinent information.</p> <p>- The rural boarding schools included in regional develo plans.</p>

OBJECTIVES	INDICATORS	MEANS OF VERIFICATION	ASSUMPTIONS
Specific objective) the coverage and quality of education in rural areas.	In the provinces involved: - School dropouts decline by 30% by 1997. - Repeater rates decline by 50% by 1997.	- FIS follow-up reports. - School records.	- The sectional and core schools linked to the educational network.
	- The number of girls attending school increases by 50% by 1997. - General enrolment increases by 50% in 1997. - From 12 to 16 educational councils organized in the rural boarding schools. - Parents participate actively in the operation of from 12 to 16 rural boarding schools. - Diets have been supplemented and/or improved in from 12 to 16 rural boarding schools.	- Sample surveys. - Field visits. - Education Reform reports.	- The necessary equipment is for the operation of the core schools. - Progress continues to be implementing the Education - The political situation remains stable. - Rural teachers support the Reform.
S (results) boarding schools built with adequate infrastructure. boarding schools duly operated in accordance with the rules. community training completed and applied in the rural boarding schools. teachers, community organizations, parents, and local authorities organized in educational councils.	In the provinces involved: 1.1 From 12 to 16 rural boarding schools completed with adequate infrastructure. 2.1 From 12 to 16 rural boarding schools equipped in accordance with the infrastructure modules. 3.1 100% of the pupils in 12 to 16 rural boarding schools receive vocational training. 3.2 100% of the pupils in rural boarding schools receive pedagogical support and advice. 3.3 70% of parents in 12 to 16 rural boarding schools receive training in different fields. 3.4 50% of teachers in rural boarding schools are involved in their operation. 4.1 80% of 12 to 16 rural boarding schools receive support from their provincial community-based organizations. 4.2 60% of the educational councils participate in maintaining and operating the rural boarding schools.	- FIS follow-up reports. - Field visits. - SIMECAL. - Sample surveys. - Interviews with leaders.	- Rural teachers support the Reform. - Progress continues to be implementing the Education - Teachers have the equipment for school operation. - The municipalities are strengthening FIS project management. - The Civic Participation Act is complied with. - Coordination among government departments continues.
S and rank applications for participative planning. the preinvestment requirements. the evaluation. the approval. the award contracts for the works. the contract supervisory services. the overall execution of the works. the vision of execution. the completion.	(Budget in US\$) 1. Infrastructure and equipment 1995-1996: US\$1,092,000. 2. Community training 1995-1997: US\$468,000.	FIS reports. FIS reports.	- Sources of financing defined.

OBJECTIVES	INDICATORS	MEANS OF VERIFICATION	ASSUMPTIONS
COMPONENT: INFORMAL TRAINING			
(general objective) Most productive activities in regions involved.	1.1 The production indexes of the communities involved have improved by 20%. 1.2 Number of new adapted technologies used in production, marketing, and management.	Sample surveys, national statistics on the rural sector. FIS reports.	The FDC provides support in the productive projects and infrastructure in the same zones. A policy framework has been developed for rural and agricultural development. Training projects are part of the microregional development plan. Sector information systems in place. The Forestry Act and the Land Law are obeyed.
(specific objectives) Men and women trained for development, including equality criteria.	TRAINING FOR WOMEN AND ETHNIC GROUPS 1.1 Between 1995 and 1997, between 250-300 theoretical and practical training events have been held in: agriculture, forest management, processing, forestation, microenterprise, planning, management, and marketing in the regions involved. 1.2 Between 1995 and 1996, 55%-60% men and 40%-55% women have participated in theoretical-practical training events in the regions involved. 1.3 Number of upgraded and/or adapted production techniques in agriculture, microenterprise, forest management and forestation, planning, management, and marketing in the beneficiary communities.	Follow-up reports. Follow-up and inspection reports. Follow-up and inspection reports. Sample surveys.	The FDC provides support in the productive projects and infrastructure in the same zones. A policy framework has been developed for rural and agricultural development. Training projects are part of the microregional development plan.
ITS (results) Works and equipment installed and in operation. Communities trained for jobs in productive activities.	TRAINING FOR WOMEN AND ETHNIC GROUPS 1.1 Between 1995 and 1997, from 9 to 12 training centers provided. 2.1 Between 1995 and 1997, 11,000-15,000 men and 10,000-13,000 women have been trained in productive techniques (agriculture, forestry, and processing), labor skills (microenterprises and crafts) and management (planning, administration, accounting, and marketing).	FIS reports. Follow-up reports.	

OBJECTIVES	INDICATORS	MEANS OF VERIFICATION	ASSUMPTIONS
<p>S</p> <p>t applications for icipative planning. e preinvestment requirements. ct evaluation. ct approval. r and award contracts for and services. t and contract supervisors. or and supervise overall ct execution. ct completion.</p>	<p>(Budget in US\$ thousands)</p> <p>1. Infrastructure and equipment: 1995-1997 600,000</p> <p>2. Community training: 1995-1997 1,400,000</p>	<p>FIS reports.</p> <p>FIS reports.</p>	<p>The G-DRU study on the supply centers in rural areas has been completed.</p>
COMPONENT: INSTITUTIONAL TRAINING			
<p>municipalities trained as FIS project agencies.</p>	<p>By 1999</p> <ul style="list-style-type: none"> - Municipalities' management capacity 33% stronger than in the universe of FIS clients (189 municipalities). 	<ul style="list-style-type: none"> - Municipal information system. - Municipal Institutional Strengthening Unit (UFIS). 	<p>The municipalities involved maintain services at the levels foreseen project.</p>
<p>agencies for project management, control, budget preparation, advisory systems implemented in municipalities involved.</p>	<p>As of January 1997:</p> <p>80% of the strengthened municipalities will have:</p> <ul style="list-style-type: none"> - Systems for project administration, budget control, and supervision in operation. 	<ul style="list-style-type: none"> - UFIS. - FIS monitoring system. 	<p>The municipalities maintain co- ordinated and sustained management action.</p>
<p>technical assistance provided for FIS.</p> <p>technical assistance provided for applicants.</p>	<p>By December 1995:</p> <p>Financial assistance for the FIS:</p> <p>1.1 Five management seminars held. 1.2 FIS information system modernized and decentralized. 1.3 FIS operations monitoring system improved. 1.4 15 person-months of international consulting services and 30 person- months of national consulting services contracted and 5 training events held.</p> <p>Assistance for applicants:</p> <p>2.1 Technical training package prepared and validated. 2.2 60 municipalities trained and strengthened.</p>	<ul style="list-style-type: none"> - Reports by the FIS units involved in the different technical advisory events. - Consultants' reports. - Reports by the FIS units. - Reports by the beneficiary communities. 	<p>The FIS staff involved in tech- nical advisory services applies and disseminates the know-how acquired.</p> <p>The municipal personnel that have been trained continue in their jobs applying the know-how acquired.</p>
<p>S</p> <p>critize and define the table for technical support redefined areas: (a) FIS logic and management plan, information system, monitoring system, specialized consulting services and training workshops.</p>		<ul style="list-style-type: none"> - Budget execution reports. - Annual balance sheets. - Conciliation of accounts. 	

OBJECTIVES	INDICATORS	MEANS OF VERIFICATION	ASSUMPTIONS
<p>are the terms of reference specific areas.</p> <p>se specialized entities to</p> <p>fy and contract the responding services.</p> <p>gnate the FIS counterpart for technical development vity, for follow-up, ing, and</p> <p>tutionalization of the lts.</p>	<p>Technical assistance for the FIS:</p> <p>US\$ 1 million executed in 1995-1996, distributed as follows:</p> <p>a) strategic plan and managerial development - US\$50,000</p> <p>b) information system - US\$600,000</p> <p>c) monitoring system - US\$100,000</p> <p>d) specialized consulting services and training workshops - US\$250,000.</p>	<p>- Budget execution reports.</p> <p>- Annual balance sheets.</p> <p>- Conciliation of accounts.</p>	<p>Funds from the IDB loan can be as of April 1995.</p> <p>Each FIS management area must terms of reference on time.</p> <p>There is interest in and adequ response to the invitations ma</p> <p>The municipalities are positiv motivated.</p>
<p>are terms of reference for ces to develop:</p> <p>odology, contents, design of ational materials, motivation ne beneficiary ipalities.</p> <p>er, select, and contract the nent services.</p> <p>reements with the ficiary municipalities to e their participation and nment of the goals.</p> <p>are terms of reference for ces for the training and ipal strengthening program.</p> <p>ne the FIS teams that will ow-up on program execution.</p>	<p>Assistance for the municipalities:</p> <p>US\$0.5 million executed in 1995-1996, distributed as follows:</p> <p>a) consulting contracts for designs - US\$50,000</p> <p>b) printing of educational materials - US\$30,000</p> <p>c) training for municipalities - US\$312,000</p> <p>d) basic equipment for municipalities - US\$108,000.</p>		

SOCIAL INVESTMENT FUND
SOCIAL INVESTMENT SUPPORT PROGRAM
OPERATING REGULATIONS

These regulations establish the terms and conditions governing the financing to be granted to the Social Investment Fund for projects under the framework of the social investment support program, partially financed by the Inter-American Development Bank.

I. DEFINITIONS

PROGRAM	Social Investment Support Program. The series of activities referred to in Loan Contract No. /SF-B0.
CONTRACT	Loan contract between the Inter-American Development Bank and the Republic of Bolivia to finance the Program.
FIS	Fondo de Inversión Social [Social Investment Fund]. Decentralized agency of the Bolivian Government responsible for Program execution.
IDB	Inter-American Development Bank. International lending agency that will partially finance the Program.
CRDs	Corporaciones regionales de desarrollo [Regional Development Corporations]. Decentralized agencies of the Ministry of Sustainable Development and the Environment, cofinancers of the Program and providers of technical support for municipal governments.
TGN	Tesoro General de la Nación [National Treasury Department]. A department of the Ministry of Finance, responsible for transferring IDB resources to the FIS and for repaying the debt to the IDB.
NGOs	Nongovernmental organizations involved in the Program as applicants for donations or contractors for executing some Program components.
CBOs	Community-based organizations. Community committees, agricultural syndicates, rural communities, indigenous groups, and others. Participants in the process of project identification and monitoring of

	execution, and applicants for financing under the Program.
SNE	Secretaría Nacional de Educación [Department of Education] of the Ministry of Human Development. Policy-making body in the education sector.
SNS	Secretaría Nacional de Salud [Department of Health] of the Ministry of Human Development. Policy-making body in the health care sector.
APPLICANT	Municipalities, NGOs, CBOs, public service institutions, and others that meet the requisites and have access to program financing for eligible projects.
OPERATOR	Entities responsible for operating and maintaining the services financed under the Program, which may or may not be applicants.
FIS BOARD OF DIRECTORS	Senior administrative body of the FIS responsible for approving projects and preinvestment requests, composed of a chairman and four directors named by the government.
PROCUREMENT COMMITTEE	A committee set up by an applicant through which the Tenderer approves and authorizes contracts for works, services, and the procurement of goods. The committee will be set up in accordance with the provisions of Annex 3, Supreme Decree 21660.
TENDERER	Institution responsible for the tendering and contract award process, which it carries out itself or on behalf of applicants that do not have the technical capacity to establish a procurement committee.
SUCCESSFUL BIDDER	Private or corporate person who has been awarded a contract to build civil works or provide services or goods.

II. THE PROGRAM

A. Objective

The general objective of the Program is to support Bolivia in its general human development strategy to raise the standard of living of the poorest

groups in rural and periurban areas by improving the quality and coverage of social services.

B. Description

The Program will finance projects in health care, formal and nonformal education, and basic sanitation in 178 municipalities that the government has classified as priorities on the basis of the poverty map prepared by UDAPSO. In periurban zones, classified as poor and given priority by the Department of Education under the Education Reform, the Program will finance formal education projects.

To attain the foregoing objectives, the Program has been designed with two components: (i) investments in projects; and (ii) institutional strengthening for the FIS and the institutions that request projects.

1. Investments in projects

This component is intended to finance preinvestment studies and investment projects to increase the coverage or improve the quality of health care, basic sanitation, and formal and nonformal education services (see details in the FIS Project Guide, page 9). This component has been divided into five subcomponents:

a. Infrastructure and equipment

Intended to finance civil works, installations, furnishings, equipment, and tools for the Program's projects.

b. Preinvestment studies

Intended to finance feasibility studies and final designs for projects in sector activities that are eligible under the Program.

c. Training

Intended to finance activities to support investment projects on the institutional and community levels.

d. Operational support

As part of the project financing structure, this item will cover the costs of personnel and fungible materials for a limited time.

e. Supervision

As part of the financing structure for all projects, this item will cover supervisory costs during project execution in accordance with the specific nature of each project (see FIS Project Guide, page 9).

2. Institutional strengthening

Intended to finance technical assistance for:

- a. the FIS
- b. the applicant institutions.

C. Funds

Program funds come from IDB Loan ___/SF-BO for US\$60 million, with a local counterpart of US\$6.7 million, for a total of US\$66.7 million.

D. Regulations

The Program is covered by the regulations established in the following documents:

Loan Contract No. ___/SF-BO, between the Government of Bolivia and the IDB.

Subsidiary Agreement for the Transfer of Funds signed on ___ by the Ministry of Finance and the FIS.

- the present Operating Regulations
- FIS operations manuals
- the Program procurement rules
- model agreements for donations and contracts for the provision of goods and services
- the FIS Project Preparation Guide.

In the event of discrepancies between the regulations in question, the Loan Contract will prevail.

III. ELIGIBILITY

A. Eligible activities

Program funds will be used to finance institutional strengthening, preinvestment studies, investment projects, and projects to rehabilitate infrastructure in the following sector activities:

1. Education

- a. Formal education:
 - Core schools
 - Primary schools
 - One-room schools

- Comprehensive Pedagogical Resource Centers (CERPIS)
- Rural boarding schools.

b. **Nonformal education:**

- Production training for women
- Production training for ethnic groups.

2. Health care

- Community health centers
- Sector health centers
- Area health centers.

3. Basic sanitation

a. **Water supplies:**

- Systems with residential connections
- Public taps
- Household wells.

b. **Waste disposal:**

- Sewer systems.

c. **Solid waste disposal**

4. Institutional strengthening

- a. Operational support for municipalities and nongovernmental organizations.
- b. Strengthening for the FIS.

B. Institutional eligibility

1. Eligible institutions

The institutions eligible for Program financing are:

- a. Municipalities
- b. Nongovernmental organizations
- c. Community-based organizations.

2. Eligibility requirements

Institutions that wish to obtain financing under the Program must comply with the following requisites:

- a. Have a legally-recognized corporate status or, in the case of CBOs, have at least begun the process of obtaining such status.
- b. Demonstrate their counterpart capacity within the ranges established for the different subprograms.
- c. Be governed by sector regulations.
- d. Demonstrate their legal and financial capacity to operate, administer, and maintain the service.
- e. Comply with the institutional and financial criteria established in Annex A of these Regulations.
- f. Have the capacity to put goods and services to tender and award contracts or to delegate those responsibilities.
- g. Belong to one of the 178 municipalities designated as priorities by the Bolivian Government on the basis of the poverty map prepared by UDAPSO.
- h. For formal education projects, belong to the periurban zones defined as poor and as priorities under the Education Reform Program.

3. Eligibility requirements for studies and projects

The projects to be financed under the Program must comply with the following requirements, in addition to those specified in Annex A:

- a. The studies and projects are located in urban and/or periurban areas forming part of the respective municipality's investment plan.
- b. The studies and projects in education, health care, and basic sanitation in periurban areas are priorities for the respective CBO and/or municipal government.
- c. Projects conform to the criteria and comply with the technical, social, financial, and methodological requisites established in Annex A and the FIS Project Promotion and Evaluation Manual.
- d. Projects must demonstrate social, institutional, technical, economic, environmental, and financial feasibility.
- e. For health centers and formal education establishments, projects must form part of the service networks established by the SNS or the SNE, respectively.

- f. Projects must include, when determined in the diagnostic study, an institutional or community training component to ensure adequate execution, operation, and maintenance.
- g. Legal evidence exists of ownership of the land on which works are to be built, and if necessary, the possession of rights-of-way.
- h. Projects for services for which tariffs will be charged must demonstrate that the income from them will be sufficient to cover the operating and maintenance costs of the service, as a minimum.

C. Eligibility requirements for institutional strengthening

- 1. The applicant institution is executing a FIS project or has obtained financing for a future project.
- 2. The institution has a core staff able to receive the training and apply the methods and systems.

IV. TERMS AND CONDITIONS OF THE FINANCING

A. Structure of the financing

Program financing is composed of funds from the IDB and the local counterpart. The IDB will finance up to 90% of the total cost of a project, with the local contribution accounting for at least 10%. The counterpart funds may come from the TGN, the applicants, or the beneficiaries.

B. Use of the financing

1. IDB funds

IDB funds will be used to finance the following investment categories:

- a. civil works and installations
- b. machinery, equipment, spare parts, tools, and supplies
- c. furnishings
- d. training
- e. consulting services for supervision
- f. consulting services for preinvestment and technical assistance
- g. start-up operating costs (only for nonformal education projects)
- h. bidding costs.

2. Local counterpart funds

These funds, aside from covering all or part of any of the items for which IDB funds will be used, may finance:

- a. the purchase of property for projects
- b. domestic taxes and import duties on goods
- c. FIS operating costs
- d. reserves for investments in projects.

C. Financing conditions

1. For applicants

The FIS will grant financing to applicants, under donation agreements which will set forth the financing structure, define the percentage to be paid by the FIS and the local counterpart (applicants and beneficiaries) in cash and in kind, the financial obligations of the parties such as project operation and maintenance, the schedule for payments and execution, and guarantees. FIS model agreements approved by the Bank will be used.

The amounts established in the agreements are reference figures since they may undergo modifications pursuant to the actual contracts and orders for changes during project execution, which require the FIS to adjust the financing structure.

2. Amounts allocated by sector

The investment targets per sector using Program funds are as follows, in US\$ millions.

Sector	IDB	Local contribution	Total
Formal education	30.0	3.0	33.0
Nonformal education	7.0	0.7	7.7
Health care	6.0	0.6	6.6
Basic sanitation	15.0	1.5	16.5
Institutional strengthening	2.0	—	2.0

These targets will be reviewed periodically by the IDB and the FIS.

3. Prohibitions

Program funds may not be used to finance the following for applicants:

- a. payment of capital debts or interest
- b. purchase of shares, bonds, or other assets
- c. overhead
- d. purchase of land.

4. Financing thresholds

Maximum IDB financing for a single investment project will be US\$500,000, and Program funds may not be used to finance projects whose total cost is above US\$550,000.

Preinvestment costs for a project may not account for more than 10% of the total project cost.

5. Discretionary limits

The studies and projects financed under the Program will be approved independently by the FIS up to the thresholds established in the foregoing section. The IDB will review a random sample of at least 30% of the projects approved each year by the FIS costing more than US\$250,000 and a representative sample of projects costing less.

V. PROJECT CYCLE

The FIS's regional offices promote and evaluate the projects given priority in the microregional participative plans in their areas, guiding potential applicants with regard to procedures and requisites for the presentation of applications and coordinating their inclusion in the municipalities' annual operating plans. They then prepare a list of projects and an estimate of demand.

1. Applications for financing

The FIS will accept applications for financing for preinvestment studies and investment projects that comply with the requisites for sector, institutional, and project eligibility, in accordance with the sequence established in the FIS Promotion and Evaluation Manual, which is summarized below:

a. Presentation

Institutions interested in carrying out an eligible study or project will present their applications for financing to the FIS, containing the requisites established in Chapter III of these regulations. Applications should be accompanied by the following documents.

b. Preinvestment

- 1) Project profile and terms of reference for the study, in accordance with the FIS's Project Presentation Guide.
- 2) Name of the expert responsible for the study.

c. Investment

- 1) Project study on the feasibility or profile level or the final design, in two copies, in accordance with the FIS's Project Presentation Guide.
- 2) Legal evidence of ownership of the land where the works are to be built and possession of rights-of-way, if necessary. In the event that this requisite cannot be complied with at this stage, it should be made a condition precedent to approval of the financing.
- 3) Legal documents accrediting corporate status or certification that such status is being sought.
- 4) Name of the expert responsible for the project.

2. Evaluation

Once the profiles or projects have been submitted, the evaluation process is carried out as established in the FIS Project Promotion and Evaluation Manual, which forms an integral part of these regulations.

3. Approval of projects and studies

The FIS's Board of Directors will study the evaluation reports on projects and approve, postpone, or reject them. In all cases, it will officially inform the applicant of its decision. For projects that are approved, a donation agreement between the FIS and the applicant will be signed, and the FIS Promotion and Evaluation Department will prepare a project file for its Operations Department, with the following documentation:

- application and approved project
- evaluation report
- fiches on the social, institutional, and technical assistance evaluation
- legal documentation
- donation agreement.

4. Procurement

The applicants and/or the tenderer will be responsible for procurement processes, in accordance with the instructions prepared by the FIS. Bidding will be governed by the procedures and rules established in the FIS manuals on bidding procedures and the provision of supervisory services, which conform to Bank rules.

4.1 Bidding

The technical units of the FIS will prepare the bid documents for each project, based on its standard documents, and will remit them to the tenderer together with the pertinent instructions so that the bidding on works, goods, and services may proceed.

4.2 Awards

The procurement committee will award the contracts in accordance with the instructions remitted by the FIS.

The amount of the counterpart will be fixed on the basis of the approved financing structure and will not be altered regardless of the outcome of the award, with the FIS covering any differences.

5. Signature of contracts

Based on the decisions awarding contracts, the FIS's Legal Advisory Unit will prepare the contracts in accordance with the standard models and will obtain the signature of the successful bidder, the legal representatives of the applicant, and the FIS.

6. Supervision

All the components of the investment projects and preinvestment studies financed under the Program will be supervised by qualified professional firms or individuals who are to take up their functions prior to initiation of the works or services.

The supervisors will be responsible for keeping the FIS and the applicants abreast of the status of project execution.

7. Monitoring and follow-up

Monitoring and supervision of overall project execution will be performed by FIS's regional offices, which will appoint an employee to oversee each project, based on previously-established plans and timetables, who will verify compliance with the items in each project and the attainment of its objectives.

Follow up will be performed on the program level and by component by the Central Office of the FIS, based on its project monitoring systems. The FIS's regional offices will perform the following tasks to monitor compliance with contracts:

- a. review the progress reports on works
- b. authorize payments
- c. review and approve orders for changes involving less than 15%
- d. review and recommend approval of orders for changes involving more than 15% to the FIS Board of Directors
- e. verify compliance with the execution schedules
- f. verify compliance with the contractual clauses
- g. compare the physical advance with the financial advance of a project
- h. conduct inspections in the field and report their observations and comments to their superiors.

8. Orders for changes

All modifications in the scope of contracted works or services must be authorized under orders for changes issued by the supervisor, accepted by the contractor, and authorized by the FIS in keeping with its monitoring regulations. Approved orders for changes are amendments to the contract, but do not require formalization and will automatically result in modification of the financing structure for affected projects.

9. Modifications owing to early cancellation of contracts

If a construction contract or a contract for the supply of goods should be cancelled prior to the expiry date, the applicant may invite the company that ranked second to continue with the remaining work, provided it maintains its original bid.

Should that company fail to maintain its original bid, the applicant will proceed with a new bid call. Should this procedure place the part of a work or a project already carried out in jeopardy or should the remaining works or goods entail small amounts, the applicant, with approval from the FIS, may directly invite bids from prequalified firms or arrange for self construction.

In the case of consulting services, the FIS or the applicant will negotiate continuation of the work with the firm or NGO that ranked second, and should it be impossible to reach an agreement, it will turn to the third-ranking firm and proceed successively until the list of qualified firms or NGO's has been exhausted. In that event, it will call for new bids or directly invite three to six consulting firms and/or NGOs to submit quotes.

10. Exceptions

Should events arise during program execution that are not provided for in these regulations or which require exceptional treatment, the FIS and the IDB will agree upon the procedures to be followed.

A. Disbursements

1. Composition of disbursements

Cash disbursements under the program will be made from the IDB loan and the local counterpart. The counterpart in kind provided by the applicant and/or the beneficiary will be accounted for separately.

2. Own contributions

When applicants make contributions in cash, they are to be deposited in the accounts indicated by the FIS.

Should applicants fail to make their contributions on time, the FIS will apply the provisions established in the financing agreement.

3. Types of disbursements

The type of disbursement will vary according to the type of contract and the guarantees required.

a. Advance payments

The FIS will pay the contract executor an advance upon presentation of bank guarantees insuring that the advance will be properly used in compliance with the contract. Subsequent advances will depend on project monitoring.

b. Reimbursement

The executing agencies may initiate investments in infrastructure, goods, or services using their own funds and the FIS will reimburse their expenses after verification in accordance with the established procedures.

VI. CHANGES TO THE OPERATING REGULATIONS

The borrower and/or the executing agency may suggest amendments to these regulations to adapt to them to new conditions or circumstances that arise during program execution, which will enter into effect once they have been approved by the Bank.

VII. PRECEDENCE OF THE LOAN CONTRACT

The terms and conditions established in the Loan Contract and its annexes will take precedence over these regulations.

VIII. APPROVAL

These Operating Regulations were approved by the FIS's Board of Directors under Resolution No. ___, dated ___, and by the IDB in Communication No. ___, dated ___. Amendments must be approved by the same entities.

BO-0029

Original: Spanish

APENDICE

PROPOSED RESOLUTION

BOLIVIA. LOAN /SF-BO TO THE REPUBLIC OF BOLIVIA
SOCIAL INVESTMENT FUND PROGRAM

The Board of Executive Directors

RESOLVES:

That the President of the Bank, or such representative as he shall designate, is authorized, in the name and on behalf of the Bank, to enter into such contract or contracts as may be necessary with the Republic of Bolivia, as borrower, for the purpose of granting it a financing to cooperate in the execution of a social investment fund program. Such financing shall be for the amount of US\$60,000,000 or its equivalent in other currencies, except that of Bolivia, which are part of the Fund for Special Operations of the Bank. The financing shall be subject to the "Special Contractual Conditions" and the "Terms and Financial Conditions" of the Executive Summary of the Loan Proposal.