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SCALE-UP OF THE LOCAL DEVELOPMENT WINDOW

(PE-T1036)

PLAN OF OPERATIONS

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BASIC SOCIOECONOMIC DATA

For basic socioeconomic data, including public debt information, please refer to the following address:

<http://www.iadb.org/RES/index.cfm?fuseaction=externallinks.countrydata>

ABBREVIATIONS

DRTP	Decentralized Rural Transport Program
IDB	Inter-American Development Bank
JSF/JPO	Japan Special Fund/Poverty Reduction Program
LDW	Local Development Window
LPDP	Local Productive Development Plan
MTC	Ministry of Transport and Communications
NGO	Nongovernmental organization
PVD	Provías Descentralizado
RRP	Rural Roads Program

SCALE-UP OF THE LOCAL DEVELOPMENT WINDOW

(PE-T1036)

I. EXECUTIVE SUMMARY

Requester:	Ministry of Transport and Communications (MTC)		
Beneficiaries:	Rural population		
Executing agency:	Ministry of Transport and Communications, through its agency Provías Descentralizado (PVD)		
Financing:	IDB (JSF/JPO):	US\$1,500,000	
	Local contribution:	US\$ 380,000	
	Total:	US\$1,880,000	
Terms:	Execution period:	48 months	
	Disbursement period:	54 months	
Objectives:	To support implementation of the Local Development Window component of the Decentralized Rural Transport Program (DRTP) (PE-L1011) by developing income-producing activities in rural areas that are now integrated thanks to the permanent access to roads afforded by the Rural Roads Program (RRP). The technical assistance will be for identifying productive undertakings and facilitating access to markets in order to exploit existing potential and develop entrepreneurship in rural communities so as to help alleviate rural poverty. The proposed technical cooperation will help the Peruvian government capitalize on the opportunities and benefits directed to the large majority of those in the service area of the network of roads rehabilitated and maintained by the RRP and its successor, the DRTP.		
Environmental and social review:	The program will not have environment and social impacts (Committee on Environment and Social Impact meeting 25-06 of 22 June 2006).		
Coordination with other development institutions:	Following the mechanism used in previous phases, Local Development Window activities will be coordinated with the United States Agency for International Development (USAID), the Italian-Peruvian Fund, the Basque Country Fund, the French Fund, and the German Countervalue Fund.		

Special contractual conditions: None.

Exceptions to Bank policy: None.

II. FRAME OF REFERENCE AND RATIONALE

- 2.1 In 2004, 73% of Peru's rural population was poor; 7 in 10 rural dwellers were living in extreme poverty. However, the territorial distribution of the poor has been shifting. In 2001, 50% of the population was rural, 17% resided in Metropolitan Lima, and 36% lived in other towns and cities. By 2004, the distribution had changed, increasing by 4% in Metropolitan Lima and declining by 3% in urban areas and 0.6% in rural areas.¹
- 2.2 In 1995, the Bank decided to support the development of a sustainable, integrated road system in the rural areas of Peru in order to improve poor rural dwellers' access to basic services, markets, and income-generating activities. This gave rise to the Rural Roads Program (RRP),² cofinanced with the World Bank, which focused its operations in the rural areas of what were then Peru's 12 poorest departments, located mainly in the Andean region: Ancash, Apurímac, Ayacucho, Cajamarca, Cuzco, Junín, Huancavelica, Huánuco, Madre de Dios, Pasco, Puno, and San Martín. The IDB and World Bank are currently preparing a third operation of national scope, still targeting rural areas, called the Decentralized Rural Transport Program (PE-L1011).
- 2.3 **RRP II outcomes.** Approximately 15,000 kilometers of rural roads have been rehabilitated, are in good or acceptable condition, and receive periodic and routine maintenance. In addition, at a time of severe economic crisis in Peru, the program succeeded in restoring rural inhabitants' access to basic social services, improved and diversified the supply of transportation services, developed and consolidated over 650 local microenterprises responsible for routine maintenance of the rehabilitated roads, and served as a catalyst for local income-producing activities beyond the transportation sector.
- 2.4 **Medium-term impact evaluation.** The Rural Roads Program has had a positive impact in a number of areas such as diversifying means of transportation, reducing

¹ Instituto Nacional de Estadística e Informática [National Statistics and Information Institute] (INEI) Report, "Condiciones de Vida en el Perú: Evolución 1997-2004" [Living conditions in Peru: changes during 1997-2004], May 2006.

² Loans 901/OC-PE and 1328/OC-PE.

transportation costs (passenger fares as well as freight charges), and improving travel conditions (travel times cut by approximately 62% and an increase in light vehicle traffic); improving the population's access to public services (increased school enrollments and more medical visits); creating jobs, raising agricultural wages, diversifying income, increasing the use of agricultural land, and creating a demonstrated impact on rural migration. Most importantly, the population's perception of the roads' rehabilitation and maintenance has been highly favorable, the majority of those surveyed having approved of the roads' condition and serviceability.

- 2.5 **Positive externalities of the Rural Roads Program.** The RRP is benefiting the population who, with improved roads and an internalized sense of accessibility, have an enhanced economic environment that offers them opportunities and encourages them to engage in productive activities and assume the risks of developing their potential. In addition, having a continuous source of income enables the road-maintenance microenterprises to launch productive undertakings with technical assistance from the RRP facilitators. The Peruvian government, identifying the lack of the technical skills needed at the rural level and the connection with community and individual innovation capacity, decided to include a component called the Local Development Window (LDW) in the second phase of the RRP to support local communities in this initiative.
- 2.6 The LDW is conceived as a companion measure to the investment in rural roads made through the agency Provías Descentralizado (PVD) to reduce poverty, in order to explore a rural production development model with a gender perspective, aimed at ensuring that this investment would have a direct impact on quality of life in the beneficiary communities. In this regard, the existence of rehabilitated, maintained roads becomes an essential precondition to LDW execution.
- 2.7 The LDW operated in three phases. The first provided support to local communities and authorities for community workshops to identify local production prospects and devise district development plans and associated local action plans. Once those plans had been worked out, two public social investment projects and two production projects were selected by means of a participatory methodology. Both were taken to the prefeasibility stage (which includes business plan and environmental assessment). During the second phase, the LDW provided support for activities to explain and publicize the projects and to seek financing; to that end, the projects were presented at local fairs organized to attract potential investors. An individualized search for funds was conducted as well, led principally by the respective mayors. Finally, in the third phase, the LDW assisted in the projects' implementation by providing technical and management advisory services and supervising and monitoring their progress to ensure that the rural inhabitants were able to manage their productive ventures on their own. Table 1 presents examples of projects carried out with support from the LDW.

Table 1: Type of projects promoted through the LDW

	Example 1	Example 2	Example 3
Public social investment	Equipping of medical post District: Churubamba Department: Huánuco Amount financed: US\$5,000	Electricity supply for Caynarachi Community District: Lamas Department: San Martín Amount financed: US\$300,000	Construction and equipping of school classrooms District: Cactachi Department: San Martín Amount financed: US\$10,000
Local production projects	Production of yacón (native Peruvian tuber) District: Orocotuna Department: Junín Amount financed: US\$11,000 Beneficiaries: 35 families	Production of organic, medicinal, and aromatic plants District: Churubamba Department: Huánuco Amount financed: US\$49,000 Beneficiaries: 60 families	Production and marketing of tilapia (local fish) District: El Sauce Department: San Martín Amount financed: US\$80,000 Beneficiaries: 105 families

2.8 **LDW outcomes.** The LDW has operated in 81 districts in seven departments.³ To date, it has worked with local communities and authorities to develop 81 district development plans and local action plans, which have been validated and prioritized with the local authorities and population. As a result, 550 project profiles have been prepared, 167 projects have proceeded to the prefeasibility level, and 149 have been executed, representing a leverage of US\$10 million. Of the implemented projects, 101 are public (US\$7.1 million) and 48 are private production initiatives (US\$2.9 million) benefiting 12,000 families.

2.9 **The Bank's strategy.** The technical-cooperation operation proposed here is consistent with the Bank's strategy for its work with Peru during the period 2002-2006, promoting social development and improving the efficiency of social spending through activities to alleviate poverty and reduce the vulnerability of the rural poor. The LDW is not a welfare-type model: it is an innovative model designed to create entrepreneurial and technical capacity within the local communities and give them the tools they need to carry out productive, socially relevant, and commercially viable activities on their own. In addition, the LDW fosters competitiveness and productivity by identifying productive projects that are feasible by virtue of properly maintained roads that connect rural producers with markets. The LDW also furthers the country's decentralization policy—the program having been conceived to that end—by transferring decision-making power to the local authorities and communities. Under this model, local communities participate directly in planning and execution of the initiatives, identifying and engaging the projects' end-beneficiaries and increasing their likelihood of success in the rural area.

2.10 **Program strategy.** In previous phases, the LDW made headway with local stakeholders: authorities and communities; and there were significant difficulties leveraging funds for private productive initiatives. The evaluation of previous phases of the program⁴ found that the LDW model needed to be complemented by

³ San Martín, Huánuco, Junín, Amazonas, Apurímac, Ancash, and Huancavelica.

⁴ Evaluation of the Local Development Window Program, Peru, Rural Roads PE-0140, prepared by Melanie Glass and Jennifer Wakeham (April 2005).

promoting the active engagement of more civil society and private sector stakeholders in generating synergies and cooperative relationships in order to expand the model on the scale envisioned by the DRTP. Although the LDW is based on territorial development, with the rural municipio at the core, its aim in this phase will be for some of its outputs to be public goods available to any user wishing to access them. The LDW is proposing a departure from the welfare-type model insofar as it gives the population the tools they need to be able to create productive enterprises. This is consistent with the lessons learned, which highlight the need for increased dissemination of the program to other stakeholders and the need to strengthen the technical and administrative capacity of local communities. The LDW does not finance those productive projects, but assists and encourages efforts to seek such financing (paragraph 2.7, Table 1).

- 2.11 **Coordination with other development institutions.** In addition to cofinancing with the World Bank, during development of the LDW, program activities are to be coordinated with the United States Agency for International Development (USAID), the Italian-Peruvian Fund, the Basque Country Fund, the French Fund, and the German Countervalue Fund. While the LDW will focus on extremely poor rural communities located mainly in the Peruvian sierra and the projects are small in scale, its activities also will be coordinated with the Program of Support Services to Gain Access to Rural Markets (1586/OC-PE), which is financing technical assistance to organized rural producer groups in six economic corridors of Peru's coastal region.

III. PROGRAM DESCRIPTION

A. Objectives

- 3.1 This technical-cooperation operation supports the implementation of the Local Development Window (LDW) component of the Decentralized Rural Transport Program (DRTP) (PE-L1011) through development of incoming-producing activities in rural areas that are now integrated thanks to the permanent access to roads afforded by the Rural Roads Program (RRP). The technical assistance will be for identifying productive undertakings and facilitating access to markets in order to exploit the existing potential and develop entrepreneurship in rural communities so as to help alleviate rural poverty. The proposed technical cooperation will help the Peruvian government capitalize on the opportunities and benefits directed to the large majority of those in the service area of the network of roads rehabilitated and maintained by the RRP and its successor, the DRTP.

B. Description

- 3.2 The project will primarily consist of: (i) creating a social stakeholders network, increasing the number of strategic partners and reducing transaction costs;

- (ii) providing support for organizing local communities and identifying and promoting private production ventures; and (iii) training rural communities in financial and technical areas and business management.
- 3.3 To scale up its activities, the LDW will contract the services of local development organizations to enhance the organization of participatory workshops in which the community will identify a local productive development plan (LPDP) and associated action plan. One feature of the proposed technical-cooperation operation is the piloting of provincial development plans that encompass an entire province, in order to take advantage of economies of scale arising from the identification of projects covering more than one district. The LDW plans to work with 150 communities located primarily within the 12 departments where the RRP operated, as well as scale up its activities to the national level in keeping with the DRTP (PE-L1011).

1. Component I. Creation of a social stakeholders network, expanding the number of strategic partners and reducing transaction costs (US\$143,400)

- 3.4 This component will finance consulting services to: (i) develop a communications strategy to facilitate connections, communication, and exchange of information between rural inhabitants and the various organizations that provide business and financial services and production technologies to facilitate access and reduce transaction costs for rural small business owners; and (ii) identify potential strategic partners and work to engage them, forming a social stakeholders network as a base for scale-up; these partners include nongovernmental organizations (NGOs), microfinance institutions, universities, technical assistance centers, international agencies, and consumer markets that will provide technical and institutional know-how and support for the pursuit of the productive enterprises.
- 3.5 As part of this component, a strategic coordinator will be hired to assume responsibility for identifying public and private institutions that share common objectives with the LDW, with a view to expanding its institutional and financial base, currently limited to the Ministry of Transport and Communications. This coordinator also is to ensure that the processes of institutionalizing the LDW at the local community level (component II) are incorporated into this new structure.

2. Component II. Support for organizing local communities and identifying and promoting private production activities (US\$1,370,000)

- 3.6 This component will finance: (i) workshops to design 150 local productive development plans (LPDPs) to be prepared with the local communities and authorities and other key social stakeholders; the LPDPs will emphasize the identification of private production activities, primarily micro- and small-scale ventures; (ii) training and advisory support for local communities and governments

to ensure that the LPDPs are prepared in a participatory, organized, and systematic manner by the communities themselves, for the purpose of updating them in the future. Support will also be provided to integrate those plans with the local development plans for which the public authorities are responsible; (iii) the devising and implementation of the local development plan and, where such a plan is in place, support to ensure that it is duly implemented. These advisory services will aim to engage key public, private, governmental, and nongovernmental area stakeholders in order to promote a bottom-up consultation process; (iv) strengthening of the community institution so it can (a) develop technical capacity to be able to provide technical assistance, or (b) facilitate access to such technical capacity in preparing and implementing productive projects that fit the strategy aims of the development plan; (v) technical assistance to the community institution to develop institutional mechanisms and contacts to facilitate access to credit for the projects thus identified; and (vi) activities to tighten coordination between the various government and nongovernmental programs and activities in the area to increase the efficiency of and synergies between efforts.

3. Component III. Training for rural communities in finance and technical areas and business management (US\$243,000)

- 3.7 This component will finance: (i) technical assistance in business management and administration at the rural community level by contracting services from development institutions, NGOs, and universities; (ii) technical assistance to enable rural inhabitants to improve their production techniques; and (iii) workshops to bring rural producers together with microfinance institutions. The institutions providing this advice will be among the strategic partners identified in component I, and will be engaged under the competitive-grant model and, to the extent possible, at the community's request.

IV. COST AND FINANCING

- 4.1 The total cost of the operation is US\$1,880,000. The Bank's contribution would be US\$1,500,000 from the Japan Special Fund/Poverty Reduction Program (JSF/JPO); the local counterpart is US\$380,000. The itemized budget is presented in Annex II. A revolving fund of 10% of the financing will be established. That amount is considered necessary given the high number of multiple consulting assignments provided for during the four-year execution period.

**Scale-up of the Local Development Window
Cost table (US\$)**

Components	Unit cost	JPO funding	Local counterpart	Total
Component 1		115,000	28,300	143,300
Engagement of more strategic partners	57,600	57,600		57,600
Communication strategy and implementation	27,200	3,400	23,800	27,200
Strategic coordinator	58,500	54,000	4,500	58,500
Component 2		1,135,000	235,000	1,370,000
Local development plans (including provincial pilot)	1,500	155,000	32,500	187,500
LDW institutionalization	1,000	120,000	5,000	125,000
Production project profiles at prefeasibility level	2,500	760,000	177,500	937,500
Workshops to identify private production ventures	1,000	100,000	20,000	120,000
Component 3		200,000	43,000	243,000
Technical assistance	450	100,000	35,000	135,000
Business management training	450	50,000	4,000	54,000
Training in finance avenues	450	50,000	4,000	54,000
Component 4		50,000		50,000
Monitoring	50,000		50,000	50,000
Other costs	23,700		23,700	23,700
Audit and evaluation	50,000		50,000	50,000
TOTAL		1,500,000	380,000	1,880,000

V. PROGRAM IMPLEMENTATION

- 5.1 The executing agency for the proposed technical-cooperation operation will be Peru's Ministry of Transport and Communications (MTC), through its agency Provias Descentralizado (PVD). To ensure successful execution, PVD has appointed specialized personnel to carry out this operation, and will be responsible also for its supervision and monitoring.
- 5.2 One important feature of the program is its regional offices, in addition to PVD headquarters. These local units will operate in each of the areas already targeted by RRP II (except for Huánuco and Pasco, which share a regional office). Headed by an area manager, the units have a technical and social division which provides implementation support for this project.
- 5.3 Goods and related services and consulting services will be procured in accordance with IDB procurement policies (documents GN-2349-7 and GN-2350-7).

- 5.4 **Accounting and financial records.** PVD will be in charge of maintaining the project's accounting and financial records and will bear ultimate responsibility for procurement processes and for maintaining transaction documentation.

VI. MONITORING AND EVALUATION

- 6.1 **Monitoring.** As was the practice during RRP1, RRP2, and the DTRP, progress and monitoring reports on the Decentralized Rural Transport Program will be presented within 30 days following the end of each calendar quarter. The same will be done for the LDW, though they can be integrated into the DRTP reports. The key LDW-related indicators for these reports are set out in the LDW logical framework. The reports will describe, at a minimum: (i) progress achieved by reference to the implementation indicators (with emphasis on achieving development-objective indicators); (ii) a detailed work program and action plan for the following two quarters; and (iii) potential implementation issues.
- 6.2 By November 30 of each year PVD will submit a work plan for the following year, which is to outline activities to be financed and the estimated budget specifically for this technical-cooperation operation.
- 6.3 The project will be monitored jointly, as part of the DRTP, using the mechanism devised for that program. The annual supervision and evaluation missions planned will provide an opportunity to review (i) the progression of activities; (ii) the effectiveness of the relationship between PVD and the program's social stakeholders network as well as their interaction with the communities; (iii) the rationale for the investment made; (iv) the budget for the following fiscal year; and (v) the hiring of consulting firms.
- 6.4 **Evaluation.** The project evaluation will be done jointly as part of the DRTP through the review of the program and its annual plans, which are performed by the PVD on an ongoing basis.
- 6.5 **Midterm review.** When 50% of the technical-cooperation funds have been committed, the Bank will review, inter alia: (i) the effectiveness of the relationships among the social stakeholders network and their interaction with local business owners; (ii) management of information to benefit local residents; (iii) the procurement processes and outcomes; (iv) lessons learned; and (v) the logical framework indicators.
- 6.6 PVD will collect and retain all information and indicator and benchmark data required to prepare the project completion report, including the annual plans, midterm review, and final evaluation, in accordance with the Japan funds model.

VII. PROGRAM BENEFITS AND RISKS

- 7.1 **Benefits.** The project will benefit rural dwellers in the service area of the roads rehabilitated and maintained by the Rural Roads Program (RRP), by giving them the tools they need to pursue productive activities in a sustainable manner. These tools will consist of technical and business-management assistance, along with the information necessary to allow them to access investors, international donors, and financial markets and operate their productive enterprises.
- 7.2 **Risks.** The scale-up of the LDW to other departments will mean working with more communities and a more diverse set of strategic partners, requiring increased coordination and greater implementation responsibility for PVD. To address this risk, PVD is strengthening its management personnel responsible for executing this component and identifying potential negative scenarios that may arise in the course of the project in order to have well-considered solutions in that eventuality. In addition, the Bank will maintain the supervision and evaluation system used for RRP II with quarterly reports and semiannual IDB-World Bank-Government of Peru joint review missions.
- 7.3 **Political risk.** The RRP has continued to operate successfully through three government administrations, mainly because it has demonstrated positive impacts in providing and ensuring continuity of infrastructure while contributing to poverty reduction in rural communities. Talks with the new political authorities confirmed that this project remains a priority for the government, which is committed to continuing it.

VIII. ENVIRONMENTAL AND SOCIAL IMPACT

- 8.1 The project evaluations conducted in the previous LDW phase showed that these projects are small in scale and have no negative impact on the environment. Moreover, the prefeasibility studies of the community production projects include an environmental impact assessment to ensure that a project is environmentally sustainable and uses culturally appropriate and sustainable practices.
- 8.2 As was the practice in the previous phase, in this phase the LDW will not provide technical support for activities that (i) adversely impact the biophysical environment, (ii) affect natural protected areas, or (iii) promote social exclusion of vulnerable groups, including indigenous peoples and women. These eligibility criteria will be included in the DRTP Operations Manual.

IX. CERTIFICATION

- 9.1 The Chief of the Japan Special Fund certifies that there are sufficient resources (US\$1,500,000 equivalent) available in the Japan Special Fund/Poverty Reduction Program to finance the activities described and budgeted in this plan of operations for technical cooperation (PE-T1036).

(original signed)

Goro Mutsuura, RE2/FSS

Japan Special Fund

SCALE-UP OF THE LOCAL DEVELOPMENT WINDOW (PE-T1036)
LOGICAL FRAMEWORK

NARRATIVE SUMMARY	INDICATORS	MEANS OF VERIFICATION	ASSUMPTIONS
Purpose: Help realize existing local production potential and develop entrepreneurship in rural communities.			
Goal: Support the development of income-producing activities made possible by permanent road access afforded by the Rural Roads Program (RRP), specifically in terms of technical assistance and market access.	Outcome indicators at the end of the program: 200 technically and financially viable production projects have been identified. 20 rural microenterprises have obtained financing to execute their projects. The network of social stakeholders has been formed.	PVD quarterly reports.	International cooperation agencies are prepared to continue their engagement in Peru. The economic, political, and social environment is stable.
COMPONENTS	INDICATORS	MEANS OF VERIFICATION	ASSUMPTIONS
1. Creation of a network engaging strategic partners, and reduction of transaction costs.	Two years into the program, 30 potential social stakeholders have been identified. Three years into the program, a network has been formed of at least five social stakeholders involved in technical assistance, five that provide financing to rural microenterprises, five that supply training in business management and administration, and three that provide training about finance avenues.	PVD quarterly reports. PVD quarterly reports.	PVD operates normally.

COMPONENTS	Indicators	Means of Verification	Assumptions
2. Organization of local communities and support in identifying productive undertakings.	<p>Two years into the program, 50 workshops have been held to promote productive activities.</p> <p>By the end of the program: One provincial development plan has been validated by the communities.</p> <p>100 workshops have been held to promote productive activities.</p>	<p>PVD quarterly reports.</p> <p>Validated provincial development plans.</p> <p>PVD quarterly reports.</p>	PVD operates normally.
3. Better access for rural communities to commercial and financial markets.	<p>Two years into the program: 10 courses have been held on microfinance market information and access avenues.</p> <p>By the third year: 125 technical training workshops have been held.</p> <p>50 workshops have been held on business management and administration.</p> <p>By the end of the program: 200 training workshops have been held.</p> <p>100 courses have been given on business management and administration.</p> <p>100 training courses have been delivered on microfinance market information and access avenues.</p>	<p>PVD quarterly reports.</p> <p>PVD quarterly reports.</p> <p>PVD quarterly reports.</p>	PVD operates normally.

SCALE-UP OF THE LOCAL DEVELOPMENT WINDOW (PE-T1036)
ITEMIZED BUDGET

	Per diem fee (US\$)	No. days	Other costs (US\$)	Unit cost (US\$)	No. units	Total cost (US\$)
Component 1						143,300
Creation of network engaging strategic partners (consultant)	120	480		57,600	1	57,600
Design of communications strategy (consultant)	100	72		7,200	1	7,200
Implementation of communications strategy				20,000		20,000
Strategic coordinator	90	650		58,500	1	58,500
Component 2						1,370,000
Local development plans (includes provincial pilot¹)				1,500	125	187,500
	Sociologist	125	4	500		
	Economist	125	4	500		
	Other costs ²			500		
Institutionalization of Local Development Window				1,000	125	125,000
	Facilitator	125	3	375		
	Sociologist	125	3	375		
	Other costs ²			250		
Production project profiles at prefeasibility level				2,500	375	937,500
	Accountant	150	3	450		
	Subject-matter specialist according to project type	150	5	750		
	Economist	150	4	600		
	Other costs ²			700		
Workshops to promote production ventures				1,000	120	120,000
	Expert in business prospecting and promotion	125	4	500		
	Other costs ²			500		

		Per diem fee (US\$)	No. days	Other costs (US\$)	Unit cost (US\$)	No. units	Total cost (US\$)
Component 3							243,000
Technical assistance					450	300	135,000
	Technical expert (agriculture, fishing)	125	2		250		
	Other costs ²				200		
Business-management training					450	120	54,000
	Expert in business management and accounting	125	2		250		
	Other costs ²				200		
Finance training					450	120	54,000
	Expert in business finance and management	125	2		250		
	Other costs ²				200		
Component 4							50,000
Monitoring		60	500	20,000	50,000	1	50,000
Other costs					23,700	-	23,700
Audit and evaluation					50,000		50,000
Total							1,880,000

(1) One provincial plan equals the cost of 10 local development plans.

(2) Costs relating to workshop organization, logistics, and materials.

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(PE-T1036)

PROCUREMENT PLAN

Recipient: Provias Descentralizado (PVD)	Program: PE-T1036
Executing agency: Ministry of Transport and Communications—Provias Descentralizado (PVD)	Date of publication of General Procurement Notice: January 2007
Procurement plan approval date: December 2006	Period covered by plan: January 2007 – June 2008

1. GENERAL

- 1.1 Consulting services will be procured in accordance with the “Policies for selection and contracting of consultants financed by the Inter-American Development Bank” (document GN-2350-7 of July 2006), and with the provisions in the grant agreement between the Bank and the recipient. This document indicates the various consultant selection methods, the cost estimates, prior-review requirements, and the agreements reached with the executing agency on the procurement plan. The initial procurement plan covers the first 18 months of the technical-cooperation implementation period and will be updated at least once a year or as necessary to address implementation requirements. The procurement plan submitted by the executing agency will be approved by the project team prior to the negotiation phase.
- 1.2 **Procurement of goods.** No procurement of goods is planned.
- 1.3 **Selection of consultants.** Consulting services will be required in order to prepare legal, institutional, financial, technical, social, and environmental studies and for training activities. Consulting firms will be selected using the appropriate bid-evaluation method from among the following: quality-based selection (QBS), quality- and cost-based selection (QCBS), least-cost selection (LCS), and selection under a fixed budget (FBS). Individual consultants will be selected on the basis of their qualifications to perform the work required. Consulting contracts with cost estimates of US\$200,000 and more will be advertised internationally. Shortlists of consultants for contracts with cost estimates below US\$350,000 may comprise entirely national consultants.
- 1.4 **Prior review of procurement processes.** Contracts will be subject to prior review, in accordance with the provisions of Appendix 1 of the Bank document cited above. However, consulting firm and individual consultant contracts for which the estimated

cost is less than US\$100,000 and US\$50,000, respectively, may be subject to post review with sampling of supporting documentation, provided that the prior-review findings were satisfactory and the Bank gave its no objection to the control and records-management systems. The planned prior-review thresholds are justified by: (i) the cumulative procurement experience of Provias Descentralizado (PVD); (ii) the information and monitoring system, which allows comparison of costs of similar projects; and (iii) the Bank's plan to conduct periodic reviews, random checks, and site visits and to examine procurement documentation.

2. EXECUTING AGENCY'S CAPACITY TO IMPLEMENT THE PROJECT

- 2.1 Procurement will be managed by PVD, which since 1995 has contracted for all the studies, supervision, and works for the previous Rural Roads I and Rural Roads II programs in accordance with the Bank's rules and requirements, demonstrating extensive experience in this area.
- 2.2 The PVD professional team that would implement the technical-cooperation operation have experience in procurement and are in charge of procurement for Rural Roads Program II, currently in progress.

3. SUPERVISION

- 3.1 In addition to prior reviews it will conduct for an estimated 50% of amounts contracted in the first 15 months, as indicated in the table below, the Bank will field at least one supervision mission to conduct post reviews of a sample of contracts.

4. CONSULTING SERVICES

- 4.1 The selection methods and prior-review thresholds are as follows:

Expenditure category	Selection method	Amount	Prior review
Consulting firms	QCBS	Contract => US\$100,000	All contracts = > US\$200,000 (TOR, shortlist, technical evaluation report, draft contract)
	QCBS, FBS, LCS, QBS, DC	Contract < US\$100,000	Review of TOR (except TOR not included in Operations Manual) Contracts awarded directly. Post review, sampling of contracts
Individual consultants	LOI	Contracts = > US\$50,000	Contracts = > 50,000 (TOR, evaluation report; CVs; draft contract)
	LOI	Contracts < US\$50,000	Review of TOR (except works supervision and engineering studies) Post review: sampling of contracts
	DC	Any amount	All contracts (TOR and final draft contract)*

* When terms of reference are not included in the Operations Manual of the Decentralized Rural Transport Program (DRTP) (PE-L1011)

DC Direct contracting; QBS Quality-based selection; QCBS Quality- and cost-based selection; FBS Selection under a fixed budget; LCS Least-cost selection; LOI Letter of invitation; TOR Terms of reference.

4.2 There will be no prequalification of bidders.

5. PROCUREMENT PLAN

The following table presents the procurement plan for consulting services for the next 18 months, indicating which processes require prior review by the Bank.

5.1 Procurement plan for consulting services:

CONTRACT Description	Estimated unit cost (US\$)	Estimated total cost (US\$)	Selection method	Prior review	Bid opening date
Creation of a social stakeholders network and communications strategy	84,800	84,800	LOI	Yes	
Institutionalization and identification of productive ventures (50 localities)	6,000	300,000	DC	No*	
Development of provincial plans	15,000	15,000	DC	No*	
Technical assistance for localities (80 training sessions)	450	36,000	DC	No*	
Advice in business management and administration and financing options (50 training sessions)	450	22,500	DC	No*	
TOTAL		458,300			

* The terms of reference are included in the Operations Manual for the DRTP (PE-L1011).

DOCUMENT OF THE INTER-AMERICAN DEVELOPMENT BANK

PROPOSED RESOLUTION DE-____/06

Perú. Nonreimbursable Technical Cooperation ATN/JO-____-PE
Extension Local Development Window

The Board of Executive Directors

RESOLVES:

1. That the President of the Inter-American Development Bank, or such representative as he shall designate, is authorized, in the name and on behalf of the Bank, as Administrator of the Japan Special Fund, Poverty Reduction Program, to enter into such agreements as may be necessary with the Republic of Peru, and to take such measures as may be pertinent for the execution of the plan of operations referred to in document AT-_____ with respect to nonreimbursable technical cooperation to support the extension of the local development window program.
2. That up to the sum of US\$1,500,000 is authorized for the purposes of this resolution, chargeable to the resources of the Japan Special Fund, Poverty Reduction Program.
3. That the above-mentioned sum is to be provided on a nonreimbursable basis.

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