

INTEGRAL DEVELOPMENT PROGRAM FOR INDIGENOUS COMMUNITIES

(CH-0164)

EXECUTIVE SUMMARY

| | | | | |
|--------------------------------|--|---|-----------------|--------------------------|
| Borrower and guarantor: | Republic of Chile | | | |
| Executing agency: | Ministry of Planning and Cooperation (MIDEPLAN) | | | |
| Amount and source: | | PHASE I | PHASE II | PHASE III |
| | IDB (CO): | US\$34.8 | US\$45.2 | US\$ 80.0 million |
| | Local: | <u>US\$23.2</u> | <u>US\$30.2</u> | <u>US\$ 53.4 million</u> |
| | Total: | US\$58.0 | US\$75.4 | US\$133.4 million |
| Terms and conditions: | Amortization period: | 25 years | | |
| | Grace period: | 4 years | | |
| | Disbursement period: | 4 years | | |
| | Interest rate: | variable | | |
| | Inspection and supervision: | 1% | | |
| | Credit fee: | 0.75% | | |
| | Currency: | U.S. dollars from the Single Currency Facility. | | |
| Multiphase Modality: | It has been agreed that, because of its innovative and complex nature, the program will take more than one project cycle to complete, and the multiphase modality will therefore be used (paragraph 1.31). | | | |
| Objectives: | <p>The general objective of the program is to improve living conditions and to promote the economic, social, cultural and environmental development and identity of the Aymara, Atacameño and Mapuche peoples in rural areas.</p> <p>The specific objectives are: (i) to enhance the capacities and opportunities of beneficiaries in the areas of production, education and health; (ii) to strengthen the Indigenous Development Areas (ADIs) and beneficiary indigenous communities in terms of integral development and identity, through participatory management; and (iii) to institutionalize indigenous issues in the various sectors, and give public agencies the capacity to serve indigenous groups in a coordinated, appropriate and culturally relevant manner.</p> | | | |

Description: The program takes an integral, intersectoral and participatory approach. It consists of the following five components:

1. Strengthening indigenous communities and public institutions (US\$6.3 million)

Participatory planning workshops, training courses and technical assistance will be provided for *indigenous communities* in such areas as: (i) administration, management, organizational development, planning and monitoring of activities; (ii) the availability of public funding and the preparation of proposals; (iii) dispute settlement; (iv) women's leadership and gender issues; and (v) participation by youth. Training and awareness courses will be offered to ensure that development-oriented interventions are culturally relevant and that the working approach of officials of the agencies involved in the program is modified appropriately. As well, financing will be provided for: (i) improving the technical and organizational capacity of the National Indigenous Development Corporation (CONADI); (ii) supporting the technical management of the CONADI Council; (iii) incorporating the ethnic component into public policies; and (iv) supporting the work of the "Commission for Truth and a New Deal".

2. Development of productive activities (US\$19.7 million)

Financing will be provided under four subcomponents: (i) *development of rural production activities*, through financing for projects designed to improve agricultural yields and diversify sources of family incomes, by promoting nonagricultural activities and improving the management of natural resources; (ii) *support for communities*, in order to improve the quality of investment projects and enhance their access to economic and production support services, as a guarantee of greater effectiveness and sustainability; (iii) *support for project generation and investment promotion in indigenous areas*, for identifying projects and public and private financing; and (iv) *support for state agencies that promote production-oriented activities*, to ensure that they are in a position to follow up on and continue program activities in the area of productive development.

3. Education and culture component (US\$11.7 million)

Under the *culture and arts promotion subcomponent*, funding will be provided for: (i) cultural initiatives originating in indigenous communities, and (ii) the holding of events. The *bilingual intercultural education subcomponent* (EIB) will finance: (i) institutional strengthening of the EIB program of the Ministry of Education (MINEDUC); (ii) socialization and dissemination of EIB

among families, communities and government agencies; (iii) development and monitoring of the participatory EIB-oriented Institutional Education Project (PEI); (iv) curriculum development; (v) upgrading of the teaching profession; (vi) teaching resources; (vii) applied, basic and action research into pedagogical aspects and monitoring of the program; (viii) the learning evaluation system; (ix) promotion and development of local initiatives; (x) educational television; and (xi) an intercultural approach to education for youth and adults.

4. Intercultural health component (US\$ 6.7 million)

This component will finance specific technical assistance, awareness and training activities, meetings and seminars, dissemination and social marketing, and investments in works and equipment under its four subcomponents: (i) *designing reference models for intercultural health care*, based on experience with existing intercultural health initiatives in Chile; (ii) *improving the quality, sensitivity and cultural relevance of health services*, through awareness, information and training activities for officials of the 10 health services; (iii) *strengthening indigenous medicine*, as part of a model of intercultural health care, with funding for meetings among indigenous medicine practitioners, and support for formulating proposals; and (iv) *improving access to intercultural health services*, with financing for projects originating in indigenous communities.

5. Social marketing component (US\$ 1.1 million)

In order to publicize and promote the program, funding will be provided to design and implement an information and communication strategy, which will define the key ideas and types of messages for each of the target audiences, i.e. potential beneficiaries, those involved in the program, and public opinion. Although the strategy will be aimed at various audiences, its central focus will be the universe of current and potential users of the program, and their milieu.

The Bank's country and sector strategy:

The principal objectives of the Bank's strategy in Chile are to enhance competitiveness, reduce social and regional inequalities, and deepen democracy by fostering a more participatory society and a more modern State.

The proposed program squares well with that strategy, which calls specifically for reducing the social exclusion of indigenous populations through participatory methodologies that will involve communities at the design, execution and evaluation stages. As well, it is consistent with the Bank's interest in promoting economic growth with social equity, and hence in intervening to reduce the social exclusion of ethnic groups.

Environmental and social review:

The program is focused on the indigenous population, and will serve directly to promote social equity, thereby benefiting indigenous communities, families, women and youth, providing them with services that are more relevant to their culture and reducing the discrimination they suffer. As well, the program will help to promote gender equity, on the basis of studies that will analyze the specific status of women in participating communities.

The program includes an environmental procedure, attached to the Operating Regulations (OR), which sets out the responsibilities of institutions associated with the program, and provides measures for strengthening their environmental performance: (i) financing environmental education plans in the 600 participating communities; (ii) environmental protection criteria for projects; (iii) plans for management and conservation of natural resources in the Indigenous Development Areas (ADIs); and (iv) environmental targets and indicators for the program (see paragraphs 4.6 to 4.16).

Benefits:

The program will foster social equity and promote economic and social development and the strengthening of indigenous communities, as well as the leadership capacity of women and youth. The program will produce not only material benefits, but will also help to strengthen and develop the culture of participating indigenous communities, and to encourage recognition of the cultural diversity of Chilean society. An important benefit will be the establishment of a coordinated and participatory intervention model that can respond effectively to the demands of indigenous families, while enhancing the effectiveness of public resources. Thanks to the participatory approach begun during the program's design, dialogue between the State and its indigenous communities will be strengthened, and this will constitute an important benefit in itself, since it will deepen trust among the parties and thereby enhance the prospects for success and impact of this and future programs. Finally, the training and awareness activities are expected to reduce instances of racism and discrimination in the country.

Risks:

The success of this program will depend on the willingness of the Chilean government to establish better communications and relations with indigenous peoples, to recognize the specific nature of their culture and their problems, and to ensure the program's continuity over time. Nevertheless, there is the risk that some sectors will not respect the principles of the program, i.e. participation, intersectoral coordination, transparency and information. Individual public officials may still betray attitudes of discrimination with respect to indigenous cultures, and this could affect the degree of participation and trust on the part of the beneficiaries. Measures to mitigate this risk will include

consciousness-raising and training for public officials. In particular, the program has encouraged a high degree of involvement and commitment from the design stage onward.

There is a further risk associated with the intersectoral nature of the program, which means that execution will be complex, involving many different public entities with differing institutional approaches. This risk will be mitigated both by the commitment of the participating entities, as reflected in the agreements that each of them will sign with MIDEPLAN, and by the emphasis on intersectoral coordination efforts within the program committees.

Among the Mapuche population in particular, where social organization is fragmented, there is the risk of failure to achieve effective coordination between the decentralized State apparatus and the traditional form of indigenous social organization, and this could pose problems for program execution. To minimize this risk, the program will provide training and strengthening for indigenous organizations and will stress the creation of an effective institutional structure for the ADIs.

**Special
contractual
conditions:**

The conditions precedent to the first disbursement will include: (i) constitution of the Coordination Committee (CC) and its operating rules, as well as the Executive Secretariat (SE) (paragraphs 3.4 and 3.6); (ii) entry into force of the Program Operating Regulations (paragraph 3.15); and (iii) hiring of personnel for the SE, in accordance with clause 3.02 (c) of the loan contract (see paragraph 3.6). As a condition precedent for beginning the individual execution of each component, an agreement between MINEPLAN and the corresponding agency responsible for its coexecution must be signed (paragraph 3.2).

**Social equity
and poverty-
targeting
classification:**

This operation qualifies as a social equity enhancing project, as described in the indicative targets mandated by the Bank's Eighth Replenishment (document AB-1704). The operation also qualifies as a poverty-targeted investment (PTI). The borrower has decided not to use the 10 percentage points in additional financing (paragraph 4.1).

**Exceptions to
Bank policy:**

N/A

Procurement:

The procurement of goods and services and the execution of works will be done in accordance with existing Bank procedures, which will be an integral part of the loan contract. In the contracting of consulting services, the procedures set forth in document GN-1679-3 will be followed. International competitive bidding will be compulsory for procurement in amounts exceeding US\$5 million, in the case of works contracts; US\$350,000 in the case of procurement contracts for goods;

and US\$200,000 in the case of consulting contracts. Works or procurement contracts for amounts less than these figures will be governed by national legislation.

I. FRAME OF REFERENCE

A. Socioeconomic situation

- 1.1 According to the 1992 Census, Chile had nearly a million persons older than 14 years identifying themselves as members of indigenous cultures, i.e. 12% of the entire population in this age group is indigenous. Eighty-one percent of those who consider themselves indigenous belong to the Mapuche ethnic group, 14% to the Aymara and approximately 2% to the Atacameño. The proportion of children and youth is very high among the Mapuche (57%) and the Aymara (39%). The regions with the highest concentration of rural indigenous people are Tarapacá (I), Araucanía (IX) and Los Lagos (X). Forty percent of all indigenous people live in the metropolitan region. Although a very high proportion of the indigenous population are urban dwellers, the government Chile has decided to focus this program exclusively on rural people belonging to the Atacameño, Aymara and Mapuche populations, and will serve other ethnic groups through separate mechanisms or programs.
- 1.2 There are significant climatic and geographic differences between the northern regions of Tarapacá and Antofagasta (I and II), where the Aymara and Atacameño groups live, and the southern regions of Bío-Bío (VIII), Araucanía (IX) and Los Lagos (X), where the Mapuche people live. This factor is important in explaining a number of current problems and needs. For example, while the northern regions have a desert climate, and water is therefore a scarce resource for rural communities, rainfall in the south ranges from 1,000 to 3,000 mm per year.
- 1.3 In terms of poverty, data from the 1998 Family Socioeconomic Survey show a wide gap between the country's indigenous and non-indigenous populations. On average, indigenous groups are poorer than non-indigenous groups (35.6% versus 22.6%), and 10.6% are living in conditions of indigence (compared to 5.5% of the non-indigenous population). In Region I, the proportion of poor people among the Aymara is 13% higher than it is at the regional level. In Region II, where nearly 50% of the Atacameño live, the poverty index is 22% among indigenous peoples, compared to 17% for the region as a whole. In Region IX, the indigence index among the Mapuche population is 15% higher than the regional average. By contrast, differences are less pronounced in the metropolitan region: the indigence rate among the Mapuche is 3.1%, while the average rate is 2.7%.
- 1.4 When it comes to the situation of indigenous women, available information indicates that women must migrate to the city at an early age in order to seek paid employment, frequently in domestic service. Generally speaking, women are disproportionately represented in unpaid farm work and in subsistence activities. Fertility among indigenous women is higher than among non-indigenous women in rural areas, and the burden of domestic work limits their ability to take on leadership functions. Indigenous women surveyed showed great interest in

engaging in business and microenterprise activities, and in receiving support to enhance their leadership capacities.

B. The indigenous problem by sector and area of intervention

- 1.5 Region IX contains the greatest number of indigenous communities in the country. This region has approximately 335,000 rural inhabitants, of whom about 62% belong to the Mapuche ethnic group. Infrastructure conditions have improved significantly over the past decade, particularly with respect to electricity, secondary roads and basic services.
- 1.6 In terms of the *productive sector*, according to data from the National Statistics Institute (INE), nearly 75% of the economically active rural indigenous population is engaged in farming. Farming activity is focused primarily on the production of cereals, primarily wheat, and livestock. The economic returns from these activities have been steadily declining, as a result of several factors: (i) the combination of traditional farming techniques and lands that are of low quality, environmentally fragile or without access to local water supplies is barely enough to produce a subsistence-level yield; (ii) producer prices for wheat, milk and meat have shown a downward trend; and (iii) the prevalence of small farming plots [*minifundios*] makes it impossible to take advantage of economies of scale when it comes to marketing output or using capital-intensive advanced technology. The foregoing constraints are compounded by low educational levels among rural indigenous groups, which not only prevent them from improving the management of their holdings but make it difficult for them to find employment in occupations other than farming. Since approximately 60% of these families' incomes come from farming activities, the poor yields from traditional agriculture mean that income levels are low, and levels of poverty among rural indigenous people are high.
- 1.7 In an effort to improve socioeconomic conditions in rural areas, the Chilean government has been seeking to encourage these people to take advantage of the broad range of forestry and farming services that it offers to small-scale producers. Chief among these services are: (i) short- and long-term lines of credit with concessional terms and conditions for capitalizing small producers; (ii) technical and financial support for constructing, rehabilitating or modernizing irrigation and drainage works (on an individual or community basis); (iii) upgrading livestock operations by providing grants for investment in infrastructure and equipment; (iv) providing support for the rehabilitation of degraded soils; (v) technical and financial support for reforestation and wood lot management; and (vi) technical advisory services, provision of technology, training in business management and strengthening of producer organizations.
- 1.8 The government has also been carrying out a series of special projects for vulnerable sectors, financed from international agencies (e.g. Program for the Development of Poor Dryland Municipalities, Program for the Promotion of

Productive Economic Participation by Rural Women). Government efforts in this area are channeled through the Institute for Agricultural Development (INDAP), except for technical and legal assistance in the forestry area, which falls under the responsibility of the National Forestry Corporation (CONAF). When it comes to economic development programs with an ethnic focus, the National Indigenous Development Corporation (CONADI) administers the Land and Water Fund (FTAI) and the Indigenous Development Fund (FDI). In the last two years, an average of US\$155 million was directed under these development programs to small producers and small farmers. With some 240,000 families in the category of small producers, average state support per family worked out to US\$645 per year.

1.9 Generally speaking, indigenous people are making widespread use of many of these government programs. For example, in Regent IX, it is estimated that 70% of the 10,300 producers receiving technical assistance from INDAP are indigenous. As well, about 8,000 of the 12,500 loans made by that agency were for Mapuche farmers. Yet recent studies show that there are still shortcomings in the following areas, and that these are affecting the provision of producer support services:

- a. *Focus.* The policy instruments used by the government for promoting rural production are focused primarily on market-oriented agriculture. This focus means that government support services are not available to all groups or communities, especially those that have little contact with the outside world and are dedicated to subsistence farming or non-farming activities.
- b. *Effectiveness.* Although funding for government support services has increased by a factor of 2.6 over the past decade, is difficult to assess the socioeconomic impact of this assistance. It is believed that the broad range of government support services has helped improve the socioeconomic situation of certain rural sectors, as a result of economic openness and declining domestic prices for traditional products. Yet indicators such as the arrears rate on government-backed loans (about 21%) show that public funds are not always efficiently allocated. While public agencies are careful to check performance against goals, by means of physical management indicators, these are not adequate for measuring the real impact on the living standards of beneficiaries.
- c. *Participation.* Many government services fail to allow for adequate participation by beneficiaries in the identification, design, formulation, implementation, supervision and evaluation of projects.
- d. *Relevance.* The multiplicity of government development services aimed at specific subsectors, each with their own organizational approach, requires beneficiaries to submit projects that do not reflect a vision of integral, culturally appropriate development for target communities or groups. In the case of indigenous groups, they feel that government services fail to take account of their specific culture and traditions.

- 1.10 These shortcomings in government support services mean that their potential benefits are unevenly distributed among the various stakeholders in rural Chile. This is particularly true in the case of indigenous groups, whose income levels are lower than those of other farmers or small producers.
- 1.11 In the *education sector*, according to data from the CASEN census of 1996, average length of schooling among the indigenous population is 7.4 years, or 2.2 years less than the for the non-indigenous population. Illiteracy rates are as high as 10%, far above that for the non-indigenous population, which stands at only 4.7%. Among indigenous youth under 25 years of age, the school enrollment rate is 54.9%, while among non-indigenous youth the equivalent rate is 61.6%.
- 1.12 Since 1990, the government has been pursuing an in-depth reform of the education system. Yet despite the efforts made, the improvement programs to date have succeeded only partially in recognizing the linguistic diversity that exists among Chilean students. The current education authorities are agreed on the principal problems facing the indigenous population in the education area: (i) study plans and programs do not reflect the country's cultural and linguistic diversity; (ii) there is a shortage of teachers trained and able to provide bilingual education; (iii) many textbooks fail to consider the indigenous worldview; (iv) teaching materials distributed under the education reform program are far removed from the social and cultural reality of indigenous boys and girls; (v) there is no specific information on the indigenous school population in the country, which means that it is impossible to determine their current status in terms of enrollment, repetition and dropout rates; and (vi) there is little community involvement in school management. These problems were given careful consideration in the design of the program proposed here.
- 1.13 In the *health sector*, there are significant discrepancies between the health conditions of indigenous people and those of the rest of the Chilean population. This inequality is related both to the physical and cultural barriers that deny access to health services in indigenous lands, and to the lack of awareness of indigenous culture and traditions among the staff providing those services. For example, the infant mortality rate is considerably higher among indigenous people than nationally. Life expectancy is significantly shorter among indigenous people (65 years) than among the population as a whole (72 years). At many health facilities, it has been noted that staff are unaware of the medical practices and traditions of indigenous people, and this problem must be overcome if indigenous people are to be encouraged to make greater use of preventive and curative services. As well, there is a need to take account of experiments in the health field that have succeeded in bringing an intercultural focus to health care, one that is respectful of indigenous people, and one that incorporates their knowledge and traditions into routine areas of health activities.

- 1.14 The role of the "intercultural facilitator" has been recognized in Chile since 1960, although it was only in the 1990s that the concept was formalized. The role of the intercultural facilitator is important in helping patient during medical consultations. The Ministry of Health has created the Special Program for Health and Indigenous Peoples (PESPI), the essential purposes of which are to improve the availability, quality and effectiveness of public health care, increase awareness of indigenous traditions and demands, encourage community participation in assessing and resolving health problems, and improve coordination and interaction with indigenous health workers.

C. Government strategy and response to indigenous issues

- 1.15 Since 1990, successive administrations have adopted measures to meet indigenous needs and demands. In October 1993, the Indigenous Act (Law 19,253) was approved, recognizing the country's various ethnic groups and the duty of the government and of society to respect, protect and promote the development of indigenous lands, cultures and communities. The principal instruments for putting that Act into effect, as described below, are: (i) the National Indigenous Development Corporation (CONADI); (ii) permanent provisions for legal protection; (iii) the Indigenous Lands and Waters Fund (FTAI); (iv) the Indigenous Development Fund (FDI); and (v) the system of Indigenous Development Areas (ADIs).
- 1.16 CONADI is a decentralized public agency, with its own legal personality and capital structure, under MIDEPLAN. Its headquarters are in the city of Temuco in Region IX, where the greatest indigenous population is concentrated. It has a total of 9 offices and directorates. CONADI has a Council, chaired by the National Director and consisting of: (i) the Undersecretaries of five ministries; (ii) eight indigenous representatives of different ethnic groups; and (iii) three councilors appointed by the President of the Republic.
- 1.17 The FTAI provides grants for the purchase or regularization of land and water rights, and finances irrigation works. Through FTAI and the Ministry of National Properties, the government has delivered some 130,000 hectares to about 2,000 Mapuche families. These lands cannot be sold, encumbered, mortgaged or acquired by default, except between indigenous communities or individuals belonging to the same ethnic group. Land and water have a crucial value for indigenous communities, in terms of their cultural identity and their development. In general, indigenous people measure their well-being not in terms of income or property, but on the basis of other values determined by their worldview and their cultural outlook. In this respect, the land in itself, regardless of its productive capacity or use, constitutes a benefit. As an example of the current administration's high degree of commitment, the government has set a goal of delivering a total of 150,000 hectares between the years 2000 and 2005. In terms of grants for irrigation works, some 1,200 projects have been carried out, benefiting approximately 12,000 indigenous families. Through this fund, CONADI has provided financing totaling

about US\$45 million between the years 1994 and 1999, and US\$16 million in the year 2000 alone.

- 1.18 The purpose of the FDI is to expand, protect and oversee the sound exploitation of indigenous lands. Specifically, it seeks to strengthen indigenous community assets as they relate to land, water and irrigation infrastructure. It funds special programs for upgrading productive units, credit systems, farm equipment, secondary roads, events, etc. Between 1994 and 1999 it invested some US\$15 million, benefiting thereby more than 50,000 indigenous people. In addition, during those same years the government delivered a total of 42,000 scholarships to indigenous students at the basic, intermediate and higher education levels: this program has in fact mushroomed from 5,000 scholarships in 1994 to 14,000 in 1999.
- 1.19 The ADIs are *"territories that have been the ancestral home of indigenous peoples, and where government agencies must focus and coordinate their activities to promote the harmonious development of indigenous people and their communities."* To date, three ADIs have been created in Regions II, VIII and IX, and two others are in the process of being set up, one in Region VIII and the other in Region I. The criteria for constituting ADIs are as follows: (i) territories where indigenous peoples have had their ancestral homes; (ii) high density of indigenous population; (iii) communal or individual indigenous ownership of land; and (iv) ecological homogeneity and dependency on natural resources such that the natural balance can be maintained for watersheds, rivers, river banks, flora and fauna. Before an ADI is constituted, a diagnostic study or baseline is produced as a guide to investment.
- 1.20 CONADI's major fields of activity relate to the funds referred to, as well as various public services, including the following: (i) certification of indigenous status; (ii) legal advisory services; (iii) conciliation; (iv) public registry of indigenous lands; (v) registry of indigenous communities and indigenous associations; and (vi) guidance for beneficiaries with respect to their rights and opportunities under the Indigenous Act, and information and publicity through the media. In all these areas, CONADI has been developing its institutional and organizational capacities. It exhibits a number of weaknesses, however, because it is a new institution, and one that is concerned with an issue that the Chilean government has not previously addressed in terms of an intercultural perspective and positive discrimination.
- 1.21 Among the areas indicated as critical are: (i) integrating the indigenous issue into the government agenda and ensuring complementarity among public services; (ii) internal coordination and teamwork; (iii) availability, timeliness and accessibility of information; and (iv) the preparation of procedural and operating manuals. Existing studies show that indigenous communities have high expectations of CONADI, and that those expectations have not been met. This is one of the areas to be addressed by the proposed program.

- 1.22 Since 1999, the government has been attempting to reach out to the indigenous population through a series of "communal dialogues" in Mapuche areas (1999), and in 2000 it instituted the "Indigenous Peoples' Roundtable", in an effort to understand and process their demands and to seek alternative solutions that would involve the entire spectrum of public institutions. As well, there are Regional Indigenous Development Roundtables chaired by the *Intendentes*, in which indigenous leaders participate in monitoring the fulfillment of government commitments. Since the specific needs of women are not reflected in these forums, "Rural Women's Roundtables" were recently established in order to address the systematic identification of women's needs, interests and demands, and to implement policies, plans and programs to promote equality of opportunity. Representatives of indigenous women and members of the National Association of Rural and Indigenous Women are among those participating.
- 1.23 Principal demands include recognition of intercultural education throughout the country, and protection and preservation of the indigenous heritage, which will be addressed through the education and culture component. In the health sector, there is a specific demand for more rural health posts and more frequent physicians' visits to isolated places: efforts will be made to offer these services in a culturally relevant manner, meaning that the traditional practices and dynamics of indigenous communities will have to be taken into account. A further demand arising from the Roundtables related to the need to sensitize society as a whole in terms of its tolerance and acceptance of diversity: here again, the program includes such activities in its design. With respect to the management and development of indigenous lands, the productive development component of the program will support planning for the rational use of natural resources, improve the territorial coordination of government institutions, and encourage greater complementarity among programs with similar purposes.
- 1.24 The current government has assigned priority to indigenous issues and has made direct commitments to the indigenous population to help resolve their problems, with particular attention to existing situations of discrimination. In May 2000, following proposals by the Indigenous Working Group, these commitments were set out in a "Plan of 16 Measures", which is now being implemented. Those measures include creation of the "Commission for Truth and a New Deal"¹, and an initial loan has been approved for execution of this Program of Integral Development for Indigenous Communities. Although the Chilean government has a number of instruments, programs and resources available for dealing with the disadvantaged status of the country's indigenous populations, its efforts need a better-articulated set of mechanisms if they are to have a lasting impact, be culturally more relevant, and ensure participation by beneficiaries.

¹ The chief task of this Commission is to draw up a government policy for addressing the fundamental problems of indigenous peoples, in recognition of the country's cultural diversity.

D. Bank experience with indigenous issues

- 1.25 With the mandate from the Eighth Replenishment (document AB-1704), the Bank assumed a specific commitment to increase its efforts to promote the development of indigenous groups, in the context of poverty reduction and social equity, and to incorporate this issue systematically into regular Bank activities. The Bank has experience in the sector, and since 1994 has had a Unit of Indigenous Peoples and Community Development within its Department of Sustainable Development (SDS). This unit is the focal point of Bank policies and operations in this area. Since 1979, the Bank has financed more than 200 projects that have benefited indigenous communities directly or indirectly. Since 1994, there has been a significant increase in the number of social projects that were aimed at indigenous groups, or that included special measures for helping this population.
- 1.26 The Bank has financed social investment programs in Peru, Guatemala, Guyana, Bolivia and Mexico, among other countries, where specific measures were included for promoting indigenous participation. In recent years, several Bank-financed projects in the area of community development have been directed at strengthening the social capital of indigenous communities. These include the Community Development Programs for Peace (DECOPAZ) in Guatemala, Vulnerable Groups in Argentina, Pacific Coast of Columbia, Atlantic Coast of Nicaragua and Sustainable Development of Darien in Panama. These programs have been characterized by their comprehensive approach, their participatory mechanisms and their decentralized execution, i.e., they are similar in nature to this operation.

E. The Bank's country strategy

- 1.27 The Bank recently prepared a country strategy, conceived as a joint undertaking with the government, to serve as the basis for the Bank's future activities. Among the priorities of that strategy in the social area is the need to help reduce social and regional inequalities, and to strengthen participation by civil society. In this context, the Bank's strategy is to support indigenous populations by designing a program using participatory methodologies and involving communities in the design and execution stages. This program will also be coordinated with other recently approved projects, the Program for Improving the Efficiency of Regional Management (CH-0161) and the Program for Strengthening Alliances between Civil Society and the State (CH-0165). It is consistent, moreover, with the Bank's interest in promoting economic growth with social equity, and hence in helping to reduce the social exclusion of ethnic groups

F. Concept of the program

- 1.28 The design of this program is consistent with the country's indigenous policy, according to which successive Chilean governments over the past decade have moved to ensure recognition of the cultures of different ethnic groups and to take

steps to meet their needs and demands. Although most of the projects financed by the Bank are at an early stage of execution, some useful pointers for success are already clear, and these have served as the basis for designing the proposed program: (i) a high degree of commitment by the central government; (ii) efficient inter-institutional coordination; (iii) decentralized management of resources; (iv) active participation by governmental agencies in administration and coordination of the program, while contracting out for providing services directly to the community; (v) a high degree of participation and "ownership" over projects by indigenous communities; (vi) establishment of a capacity for intercultural dialogue and negotiation; (vii) use of culturally relevant methodologies; and (viii) social and cultural diagnostic studies based on relations of kinship and traditional authority, with due regard to gender and generational considerations, that involve all functional and informal organizations.

- 1.29 Generally speaking, the stakeholders concerned have responded favorably to the government's efforts at consultation and at greater rapprochement between the public sector and the indigenous population, as well as to its existing indigenous policy. This program, however, recognizes the importance of creating more room for participation by indigenous communities and for ensuring that sector policies recognize the cultural factors inherent in indigenous issues and that they reflect specific indigenous problems. As noted earlier, public programs need to be more consistent with the traditional practices and dynamics of indigenous peoples, i.e. they must have cultural relevance, if efforts to overcome the problems of participating communities are to be effective and are to improve the quality of life for their beneficiaries.
- 1.30 The program will respond to the priority needs identified in the roundtables as they affect rural indigenous communities. Consistent with the current process of decentralization in Chile, the program will involve active participation by beneficiaries, in an integrated, articulated, transparent and decentralized manner. Great emphasis will be placed on strengthening the management and administrative capacity of participating indigenous communities, encouraging practices conducive to creating opportunities for their self-sustaining development while retaining their cultural identity. As well, it is expected that projects financed by the program will achieve greater impact and sustainability to the extent that there is room for beneficiaries to participate during both the design and the execution of the program. As well, support will be provided for redesigning current government instruments, or making them more flexible, so as to render them compatible with the reality of indigenous populations.
- 1.31 Because of its novelty and complexity, it has been recognized that the program will require more than one project cycle, and it will therefore be executed in several phases. The reasons for this multi-phase approach are primarily: (i) public sector investments in indigenous communities have been fragmented and ineffective, and projects have not been properly maintained over time; (ii) the program incorporates participatory methodologies and innovative execution mechanisms that imply the

active involvement and cooperation of various public players, as well as inter-ministerial coordination, all of which points to the need for training public officials and giving them the tools to modify their practices before undertaking extensive interventions; and (iii) an experimental approach is needed in responding to indigenous demands, through measures that are culturally relevant and that can be adapted before they are expanded.

- 1.32 It is considered essential to have a solid basis for developing key methodological criteria and for working with participatory methodologies. The program will therefore be executed in two phases, with the first phase limited to interventions in 600 communities, beginning with those where the diagnostic process has already begun, as in the case of the ADIs. This first phase will include activities to strengthen communities and public agencies, using participatory processes and executing projects of high impact and significance to the beneficiaries. Once the effectiveness of these methodologies and instruments has been demonstrated, a second phase will be undertaken to consolidate and institutionalize these intercultural and participatory methodologies as part of the effort to strengthen participating public sector agencies.

II. THE PROGRAM

A. Objectives

- 2.1 The general objective of the program is to improve living conditions and to promote the economic, social, cultural and environmental development and identity of the Aymara, Atacameño and Mapuche peoples living in rural areas.
- 2.2 The specific objectives are: (i) to enhance the capacities and opportunities of beneficiaries in the areas of production, education and health; (ii) to strengthen Indigenous Development Areas (ADIs) and beneficiary indigenous communities in terms of integral development and identity, through participatory management; and (iii) to institutionalize indigenous issues in the various sectors, and give public agencies the capacity to serve indigenous groups in a manner that is coordinated, appropriate and culturally relevant.
- 2.3 The specific objectives of the first phase are: (i) to strengthen the capacity of public agencies to deal with problems specific to indigenous populations in a coordinated and culturally relevant manner; (ii) to strengthen communities so they can participate in the planning and execution of the program, and establish their "ownership" over the projects; (iii) to test and assess participatory methodologies and interventions that have not previously been applied, in order to determine their effectiveness; (iv) to execute culturally relevant projects in education, health and productive development, so that their design can be more clearly defined before they are extended during the second phase; and (v) to conduct cost-effectiveness studies of interventions so that subsequent efforts can be focused on those activities that offer the greatest benefits and on those government agencies that show themselves to be most effective.
- 2.4 At the end of the first phase of the program, certain goals will have to be achieved, and these will constitute triggers for extending interventions to other indigenous communities during a second phase of the program. Generally speaking, it will have to be shown that participatory methodologies and intercultural activities have translated into greater demand for services and greater satisfaction on the part of indigenous communities. The effectiveness of the inter-institutional articulation mechanism will also have to be analyzed. The triggering actions are presented in Table II-1.
- 2.5 The goals for the second phase will be defined in detail at the end of the first phase, but in general terms it is intended to consolidate activities for the institutional strengthening and development of indigenous communities, and to target them at expanding the coverage, efficiency, quality and regulation of participating agencies with a comprehensive focus and an ethno-cultural dimension, so as to reduce the current gap in the living standards of indigenous peoples. It is also expected that

permanent and effective mechanisms of dialogue will have been established between the government and indigenous communities.

Table II-1. Triggers for execution of the second phase of the program

| COMPONENTS | ACTIONS | RATIONALE |
|--|---|---|
| Strengthening indigenous communities and public institutions | <ul style="list-style-type: none"> • At least 400 communities have a development plan approved by the community. • Five ADIs have an indigenous organization and are able to design and manage their annual plan of activities and investments. • Officials of public agencies involved offer culturally relevant services, as perceived by the users. • CONADI has strengthened its technical and organizational capacity. | Active community participation and strengthening of community organizations, together with the coordinated provision of culturally relevant public sector services, constitute the framework for development investments under the program. |
| Productive development | <ul style="list-style-type: none"> • Average net incomes of families who have participated from the first year of the program are 10% higher than those of non-participating rural indigenous families. (This percentage is based on previous experiments in Chile). | Proposals for diversifying farming and non-farming activities, conceived by the indigenous communities themselves as compatible with their culture, will help to increase family incomes. |
| Education and culture | <ul style="list-style-type: none"> • 180 projects financed for restoring the indigenous cultural heritage. • At least 70% of the 150 schools participating in the PEIB show statistically significant improvements in retention rates (attendance, dropout and repetition rates). | <p>Implementation of cultural projects originating in indigenous communities will help to restore their cultural heritage.</p> <p>Participation in the PEIB is essential for improving educational results, because of its cultural and linguistic relevance.</p> |
| Intercultural health | <ul style="list-style-type: none"> • Intercultural health care models designed, implemented and evaluated in four pilot centers (two Mapuche, one Aymara and one Atacameño). • Increase of 30% in use of health services. | Intercultural health-care models will enjoy greater acceptance and will promote the social inclusion of indigenous communities and improve their access to public services. |

B. Targeting

- 2.6 According to the 1992 Census, the total number of rural indigenous families belonging to the Mapuche, Aymara and Atacameño communities was 47,179, of which 5,057 were in Region I, 3,517 in II, 7,292 in VIII, 21,640 in IX, and 9,673 in X.
- 2.7 The program will have a territorial focus, and will be targeted at 44 municipal districts [*comunas*] of the following kinds: (i) the municipalities where the three existing and the two designated ADIs are located: the configuration of these municipalities is such that they have the high degree of ecological homogeneity necessary to maintain the natural balance of watersheds, rivers, river banks, flora and fauna; (ii) municipalities that are home to beneficiaries of the FTAI) and the Ministry of National Properties, because of the simultaneous availability of resources and technical assistance for productive activities; and (iii) municipalities that are home to indigenous groups and families belonging to areas with high indigenous concentrations and poverty levels, as determined by the poverty indicators used by MIDEPLAN.
- 2.8 The program beneficiaries will be families of the Atacameño, Aymara and Mapuche indigenous communities living in rural areas of regions I, II, VIII, IX and X. *The target population in the 44 selected municipalities embraces approximately 26,000 rural families*, accounting for 55% of the total, living in approximately 1,300 communities. In its first phase, the program will involve a target population of about 12,000 indigenous families, distributed among 600 communities. During the second phase, it is planned to reach 14,000 additional families in the remaining 700 communities.

C. Components

- 2.9 The program has an integral, intersectoral and participatory character. The components and their instruments are designed to respond in different ways to varying social realities, including the specific situation of indigenous women and youth, as well as the divergent economic and ecological conditions to be found in indigenous territories.
- 2.10 The program components and subcomponents result from the joint efforts of the various players who will be involved in the program as executors or beneficiaries. Those efforts will be coordinated or executed by the Executive Secretariat (SE). The first phase of the program includes the following aspects: (i) a component for strengthening indigenous communities and public institutions, which will be executed by the SE and CONADI; (ii) a productive development component, execution of which will be the shared responsibility of the Institute for Agricultural Development (INDAP), the National Forestry Corporation (CONAF) and CONADI; (iii) an education and culture component, which will be executed by the Ministry of Education (MINEDUC) and CONADI; (iv) an intercultural health

component executed by the Ministry of Health (MINSAL); and (v) a social marketing component, to be executed by the SE.

1. Strengthening indigenous communities and public institutions (US\$6.3 million)

- 2.11 The objective of this component is to generate a community capacity and commitment for participatory planning and execution of program interventions. This component will further the process of self-management in 600 communities, affecting approximately 12,000 families, and will provide project formulation support for about 50 legally constituted indigenous associations. This component also includes activities for improving technical capacities, and for increasing the awareness and commitment of public institutions participating in the program (CONADI, ministries, regional governments, county and municipal officials) in terms of integrating the indigenous and intercultural perspective into their policies, and improving the efficiency and impact of public programs. This component consists of the following subcomponents:

a. Strengthening and development of indigenous communities (US\$4.6 million)

- 2.12 This subcomponent is intended to provide indigenous communities and associations with greater self-management capacities, with particular attention to the territorial context, as represented by the ADIs or other territories with high concentrations of indigenous people. The intent is to build the capacities of communities and families, support existing organizations and help to generate the kind of leadership that can put the social capital of indigenous peoples to best use. Community strengthening activities will be conducted both in the communities and in the ADIs, with the approach varying accordingly. In the case of the ADIs, community groupings will be given priority. Community organization and participation will be encouraged through a process of participatory planning, which in turn will provide information on the target population, its needs and priorities, for use in planning investments under the program.
- 2.13 Funding will be provided for initiatives and projects arising directly from the participating communities, provided they are seen as priorities and are complementary to the program's development activities. The financing of these projects will be flexible and quick-disbursing, in accordance with the rules established in the Operating Regulations (OR), and funds will be transferred directly to bank accounts of the beneficiary indigenous communities. At least one project will be financed for each community. These funds will not be used to finance productive development projects.
- 2.14 Funding will also be provided to communities for training courses/workshops and technical assistance. Community leaders will also receive training in leadership,

management and administration, public tendering and dispute settlement, and indigenous producers' associations will be offered training courses and technical assistance. As well, environmental education plans will be implemented, and the out-of-court dispute settlement contemplated in the Indigenous Act will be strengthened. Travel allowances will also be provided to foster the exchange of experience among communities.

- 2.15 In the ADIs, the program will finance: (i) efforts to make ADI institutions more participatory; (ii) training in project planning and design; (iii) training in management and administration, public tendering and dispute settlement for leaders of the organizations to be established in the ADIs; and (iv) natural resource management and conservation plans.
- 2.16 The program will also provide support for five innovative experiments in participatory management to be carried out in the environmental area, following a feasibility analysis of those projects. These experiments will then be discussed in participatory workshops, where they will be analyzed and compared with similar experiments elsewhere in the world.

**b. Strengthening and training for participating public entities
(US\$1.7 million)**

- 2.17 This subcomponent is intended to strengthen public institutions participating in the program. It has two central objectives: (i) to strengthen CONADI, given its responsibilities for indigenous policy; and (ii) to enhance the capacity, awareness and commitment of participating public institutions (MIDEPLAN, Ministries of Education and Health, INDAP, CONAF, *Intendencias*, regional and municipal governments, as well as other relevant agencies) in terms of integrating the indigenous and intercultural perspective into their policies and programs.
- 2.18 To encourage public officials to modify their approach and to ensure that indigenous development programs and activities are culturally relevant, intensive courses and workshops will be funded, with a practical and experimental component (visits, exercises, exchanges) in indigenous history and culture, dialogue and intercultural negotiation. As well, funding will be provided for sessions or workshops on indigenous issues, to be organized by CONADI, with a view to incorporating the ethnic component into public policies.
- 2.19 To improve the technical and organizational capacity of CONADI, funding will be provided for: (i) formulation of a technical and organizational strengthening initiative; (ii) consulting services for implementing the recommendations from that initiative, including administration, human resource management, delegation of functions, and evaluation and monitoring of CONADI activities; (iii) design and subsequent implementation of a nationwide communication and information strategy for publicizing CONADI activities, and indigenous tissues generally; (iv) courses dealing with negotiation and conflict management, for a minimum of

40 officials, and support for that institution's system of early resolution of conflicts; and (v) design of a project management model, as well as actions to improve CONADI's capacity for negotiation and coordination with other public agencies. Technical management support will also be provided to the CONADI Council, in the form of studies and advisory services in areas within its mandate. Finally, specialized advisory services will be funded in response to the requirements of the *Commission for Truth and a New Deal*, and to strengthen government institutions in dealing with indigenous issues.

2. Productive development component (US\$19.7 million)

- 2.20 The general objective of the Productive Development Component is to bring about a sustainable improvement in the living conditions of individuals and families of the Atacameño, Aymara and Mapuche communities living in rural areas. The specific objectives of this component are: (i) to increase the income generating capacity of the 600 targeted rural indigenous communities by strengthening and diversifying farming and non-farming activities that they themselves consider compatible with their cultures; (ii) to ensure appropriate participation by indigenous communities in the process of project formulation, monitoring and control; (iii) to help raise the level of private investment in indigenous rural areas as a mechanism to support longer-term social and economic development; and (iv) to provide institutional support to government development agencies responsible for executing the component. The specific objectives will be achieved through the following subcomponents:

a. Promoting rural productive activities (US\$ 14.0 million)

- 2.21 This subcomponent will finance productive development projects in indigenous rural areas, included in the Production Plans that will form part of the Community Development Plans (PCD). These projects will be aimed at: (i) encouraging efforts to improve farming yields and to diversify family income sources through non-farming activities; and (ii) improving the management of natural resources. Program funds will be used only for the following kinds of projects:
- a. **Agricultural development and diversification projects:** the program will cover eligible additional expenses, beyond public grant ceilings, for projects that meet the standards of current government services and that are particularly relevant for poor and indigenous rural groups. The OR will describe these services in terms of executing agency, eligible expenses and maximum "topping up" benefits.
 - b. **Natural resource management projects:** eligible expenses for broadening the coverage of state forestry services and the management of forest and non-forest lands. These expenses include: (i) technical assistance for forestry projects, reforestation management and soil restoration efforts, pursuant to Decree Law

701; (ii) technical assistance for the management of re-planted areas, restoration and upgrading of degraded native forests, management of evergreen forest plantations and management of other forestry resources of the altiplano, in accordance with the rules of the Native Forest and Other Vegetation Resources Program, executed by CONAF; (iii) plant and equipment purchases, technical assistance or training in forestry and reforestation practices on lands where ownership is untitled, in accordance with the rules of the Subsidiary Grants Program executed by CONAF; and (iv) investments and procurement for the environmental restoration of non-forest areas, in accordance with the rules of the Environmental Recovery Program of INDAP.

- 2.22 The total of the grant available under the program, plus normal program grants from the institutions involved, may amount to 90% of the total cost of the production plan. The remaining percentage will represent the community contribution. In order to ensure equitable distribution among beneficiary families for funding under this subcomponent, the maximum amount earmarked from the program for the production plan during phase I will not exceed US\$1,200 per participating family. The government contribution to this activity will make possible: (i) to provide services that, because of their public nature and the poverty of the beneficiaries, would not otherwise be available (e.g. technical assistance and technology transfer); and (ii) to generate positive environmental externalities and sound management of natural resources (better soil use).

b. Community support (US\$4.1 million)

- 2.23 This subcomponent will pay for advisory services and technical assistance both for formulating production plans and for executing projects in all participating indigenous communities where services of this type, whether publicly or privately funded, are not available at the time of the proposal. It is estimated that 50% of indigenous communities currently lack services of this type. The intent of this subcomponent is to offer equality of opportunity to all participating communities, in terms of preparing and negotiating their production plans.
- 2.24 The productive projects financed by the program during the first phase will help to increase the incomes of indigenous families participating in the program. To move closer to this objective over the longer term will require greater investment. This subcomponent will therefore pay for specialized consulting services to identify and evaluate high-yield investment projects in the five ADIs covered by the program. These consulting services will include dissemination and validation seminars with private investors (national and foreign). The methodology employed will allow for active participation by each ADI community in discussing and preparing pre-investment studies.

c. Support for government development agencies (US\$1.6 million)

- 2.25 This subcomponent will pay for local technical coordinators who will maintain liaison between the local offices of public coexecuting agencies and the Zonal Executing Unit (UEZ), through activities described in the OR. It also includes the hiring of project managers and administrators to help with the increased workload involved in keeping accounts and records and compiling financial reports. Incremental travel, accommodation and logistics costs involved in these contracts will also be covered.
- 2.26 As well, the subcomponent will fund a study on the basis of which the government will be able to make the necessary adjustments, in terms of quality and effectiveness, to the current supply of productive development services for phase II of the program. This study will evaluate and offer technical recommendations on the following aspects: (i) current financing rates for eligible expenses; (ii) maximum limits for grants; (iii) technical, environmental and economic criteria used to determine a project's eligibility for financing; (iv) current intermediation costs; and (v) the relevance of instruments in use and proposals for modifying them.

3. Education and culture component (US\$1.7 million)

- 2.27 The objectives of the subcomponent are: (i) to restore, strengthen and develop the culture of the Aymara, Atacameño and Mapuche communities by encouraging society's recognition of cultural diversity; and (ii) to design, implement and evaluate an initiative to improve the scope and quality of teaching under the national basic education curriculum, as proposed by the Education Reform, in 150 schools attended by children of the Aymara, Atacameño and Mapuche communities.

a. Promoting culture and art (US\$3.0 million)

- 2.28 The following activities will be funded: (i) cultural and artistic competitions in some 600 indigenous communities; (ii) community cultural initiatives, in indigenous areas with schools participating in the Intercultural Bilingual Education Project (PEIB); and (iii) organizing an art and culture biennial and events to commemorate National Indigenous Peoples' Day.

b. Intercultural Bilingual Education Program (US\$8.8 million)

- 2.29 This subcomponent will be conducted within the framework of the country's ongoing educational reform, as a territorial program with a systemic focus. Specifically, the initiative will allow for further progress in the intercultural and bilingual education curriculum, by introducing a process of integrated and high-quality training so that students can pursue their studies while at the same time strengthening their own culture and their cultural context.

- 2.30 The following activities will be financed: (i) **institutional strengthening of the Education Ministry's Intercultural Bilingual Education Project (PEIB)** and the Culture and Education Sections of CONADI, by contracting experts and technical specialists in bilingual intercultural education (EIB) to reinforce teams at the central and provincial level, and by upgrading physical facilities and computer equipment; (ii) *socialization and dissemination of EIB* among families, communities and state agencies, through information campaigns to explain the objectives and contents of EIB and encourage participation in implementing it; (iii) *development and monitoring of the participatory EIB-oriented Institutional Education Project (PEI)*, with technical assistance to the 150 participating schools to help them prepare their intercultural and bilingual education plan; (iv) *curriculum development*, through studies, training courses and technical assistance for contextualizing and adapting the curriculum, reconciling objectives and contents, and preparing EIB plans and programs; (v) *professional development* for teachers, including training courses, scholarships, seminars and other events; (vi) *teaching resources*, design and preparation of culturally relevant educational materials, and purchase and distribution of resources such as classroom libraries, basic audiovisual equipment, sporting and musical implements; (vii) *applied and basic research on pedagogical issues and for monitoring PEIB activities*, through studies designed to produce technical assistance proposals, to generate understanding of EIB among teachers and in the community at large, and to provide inputs for further research into PEIB processes and results under the subcomponent; (viii) *learning evaluation system*, to be applied at the beginning of the program in the 150 participating schools, so as to provide a baseline for assessing what students have learned during the second and forth elementary years, and to compare this information with the results of an assessment conducted at the end of the program's second phase. Specifically, tests will be applied for linguistic, mathematical and social-cultural skills; (ix) *encouragement for local initiatives* that schools may propose for modifying teaching practices and participatory models for managing EIB; (x) *new communication and information technologies*, with the introduction of educational television and computer programs in participating schools; and (xi) intercultural education programs for youth and adult.

4. Intercultural health component (US\$6.7 million)

- 2.31 The objective of this component is to improve the health status of the indigenous population, by eliminating cultural barriers and expanding physical access to public health services. To fulfill this objective, intercultural health care, management and financing models will be designed, tested and institutionalized in the public system in areas with high concentrations of indigenous people. Specifically, funding will be provided for technical assistance, sensitization and training, meetings and seminars, social promotion and marketing, and physical works and equipment in the four subcomponents described below, which are complementary to ongoing efforts of the Chilean government in the area of intercultural health.

a. Reference models for intercultural health care (US\$3.9 million)

- 2.32 This subcomponent seeks, with the cooperation of representatives of the participating communities, the government and civil society, to construct, validate and institutionalize culturally appropriate reference models for health care management and financing for rural indigenous people. These models will be based on intercultural health experience in Chile (e.g. Maquehue, Nueva Imperial, Alto Bio-Bio) and in other countries, the intercultural policy guidelines proposed by the Ministry of Health, and the results of the five pilot experiments that are planned under this subcomponent.
- 2.33 Financing will be provided for: (i) participatory systematizing of information on national experience (literature review, focus groups, workshops, management and financing systems, costs, user and provider satisfaction surveys, determination of a starting point or baseline for monitoring and evaluation); (ii) study visits to relevant experiments in three countries, to be selected according to criteria in the OR; (iii) design and execution, using participatory methods, of five pilot experiments selected in light of their scope, depth, coverage and replicability. Financing will also be provided for coordination, human resource development and training, equipping and upgrading management and finance systems and infrastructure, among other headings; (iv) supplementary studies for designing health care models (architecture, epidemiology, opinion surveys of users and indigenous medicine practitioners, self-care procedures, management and financing); and (v) documentation and participatory external evaluation.

b. Improving the quality, sensitivity and cultural relevance of health services (US\$1.9 million)

- 2.34 This subcomponent seeks to sensitize, inform and train officials in the 10 health structures serving rural indigenous people in the program's targeted municipalities. Its objective is to bring about changes in the way health care is provided and managed, by introducing an intercultural focus. It will be of direct benefit to managers and to personnel providing health care to the public. Funding will be provided for training, developing a communication strategy and designing and inducing a program for new health care workers, as well as a proposed intercultural health curriculum.
- 2.35 In the short term, it is expected that this subcomponent will improve the quality and cultural relevance of the health care offered to indigenous people throughout the network of structures participating in this stage. Over the longer term, it is expected that newly graduating health professionals will be more sensitive to and aware of aboriginal cultures.

c. Strengthening indigenous medicine (US\$282,000)

- 2.36 This subcomponent is intended to generate proposals for strengthening and articulating indigenous medicine within an intercultural health care model, by financing and supporting meetings among indigenous medical practitioners (traditional healers, bone setters, midwives etc.) in the program's target areas. It will encourage and support proposals for improving the practice, quality, technological base and financing of indigenous medicine, for conserving and making available native flora and trees for medicinal purposes (in coordination with the productive component), resolving operational problems, and strengthening the relationship with the public health system and developing an intercultural health model. Financing will be provided for: (i) contracting indigenous monitors to assist in holding meetings and preparing proposals; and (ii) inputs and expenses related to those meetings and to the preparation of proposals.

d. Improving access to the intercultural health services network (US\$600,000)

- 2.37 This component is expected to have a direct impact on the currently unfavorable health indicators for indigenous communities, and to overcome problems with access, cultural sensitivity and resolvent capacities in the public network, by strengthening links between public and indigenous medicine. This will involve expanding use of the intercultural models developed in the first three subcomponents, and improving service to the communities. Funding under this subcomponent will be administered directly by the SE, although in contrast to the community initiatives under the subcomponent for strengthening and development of indigenous communities, there will be close coordination with the health establishments involved. The projects to be financed will expand access for program beneficiaries to intercultural services with resolvent capacity, consistent with the models resulting from the component. Financing will be provided only for small-scale works and equipment projects proposed by the communities to adapt health facilities to the quality and intercultural parameters covered during the training cycle for public officials (subcomponent 2).

5. Social marketing component (US\$1.1 million)

- 2.38 In order to publicize and promote the program, funding will be provided to design and implement an information and communication strategy, which will define the key ideas and types of messages for each of the target audiences. The strategy will be aimed at various target audiences that share common communication needs, which must be segmented in accordance with their particular characteristics. The central focus of the strategy will be the universe of current and potential users of the program, but it will also extend to the general public.

D. Costs and financing

- 2.39 The total cost of the program's two phases has been tentatively estimated at US\$133.4 million, of which US\$80 million will be provided from the Bank's Ordinary Capital (OC), and the remaining US\$53.4 million will represent the Chilean government's counterpart contribution. The total amount of the first phase is US\$58 million, of which US\$34.8 million will constitute the Bank loan, and US\$23.2 million the national counterpart funding (see Table II-2). Program preparation will be financed from the Project Preparation and Execution Facility, in the amount of US\$300,000. Administrative costs will amount to 9% of the total, because of the need to decentralize activities and to employ field staff and experts to work with families in the communities themselves. The Bank will finance slightly less than 45% of those costs, specifically equipment and personnel for executing the program in the first two years.
- 2.40 The government has also asked the Bank for retroactive recognition of eligible expenses of up to US\$500,000, incurred since 1 January 2001.

Table II-2: Integral Development Program for Indigenous Communities
estimated costs
(in US\$000)

| CATEGORY OF EXPENSES | TOTAL | FINANCING | | % |
|--|---------------|---------------|---------------|--------------|
| | | IDB/OC | LOCAL | |
| 1. Administration | 5,273 | 2,342 | 2,931 | 9.0 |
| 2. Strengthening indigenous communities and public institutions: | 6,258 | 0,720 | 5,538 | 11.0 |
| 2.1 Strengthening and development of indigenous communities | 4,574 | 0,130 | 4,444 | 8.0 |
| 2.2 Strengthening and training for public entities and CONADI | 1,684 | 0,590 | 1,094 | 3.0 |
| 3. Productive development | 19,673 | 19,021 | 0,652 | 34.0 |
| 3.1 Promoting productive rural activities | 14,000 | 14,000 | -- | 24.0 |
| 3.2 Community support | 4,074 | 4,074 | -- | 7.0 |
| 3.3 Support for government development agencies | 1,599 | 0,947 | 0,652 | 3.0 |
| 4. Education and culture | 11,705 | 7,354 | 4,351 | 20.0 |
| 4.1 Promoting indigenous culture and art | 2,927 | 0,000 | 2,927 | 5.0 |
| 4.2 Promoting intercultural bilingual education | 8,778 | 7,354 | 1,424 | 15.0 |
| 5. Intercultural health | 6,657 | 2,355 | 4,302 | 11.0 |
| 5.1 Reference model for intercultural health care | 3,925 | 0,478 | 3,448 | 6.5 |
| 5.2 Improving the quality, sensitivity and cultural relevance of health services in indigenous areas | 1,850 | 1,032 | 0,819 | 3.0 |
| 5.3 Strengthening indigenous medicine | 0,282 | 0,246 | 0,036 | 0.5 |
| 5.4 Improving access to intercultural health services | 0,600 | 0,600 | -- | 1.0 |
| 6. Social marketing | 1,100 | 1,100 | -- | 2.0 |
| 7. Evaluation and monitoring | 1,260 | 1,260 | -- | 2.0 |
| 8. Project Preparation and Execution Facility | 0,300 | 0,300 | 0,000 | 1.0 |
| 9. Financing costs: | 5,774 | 0,348 | 5,426 | 10.0 |
| 9.1 Interest | 5,005 | -- | 5,005 | 8.7 |
| 9.2 Credit fee | 0,421 | -- | 0,421 | 0.7 |
| 9.3 Inspection and supervision | 0,348 | 0,348 | -- | 0.6 |
| TOTAL | 58,000 | 34,800 | 23,200 | 100.0 |

III. PROGRAM EXECUTION

A. Borrower and executing agency

- 3.1 The borrower will be the Republic of Chile and program execution will be the responsibility of the Ministry of Planning and Cooperation (MIDEPLAN), through its Executive Secretariat (SE), with the participation of other public agencies.
- 3.2 The principal coexecuting agencies of the program will be the National Indigenous Development Corporation (CONADI), the Ministry of Education (MINEDUC), the Ministry of Health (MINSAL), the Agricultural Development Institute (INDAP) and the National Forestry Corporation (CONAF). The involvement of these agencies will help to institutionalize indigenous issues. To ensure that services are offered in an integrated manner, MIDEPLAN will sign agreements with each of the coexecuting agencies, containing at least the following: (i) a commitment to execute the component or subcomponent entirely within the duration of the program, including identification of the resources that the agency itself will commit to execution; (ii) designation of personnel responsible for fulfilling the commitments; (iii) execution details and specific goals for each component, with the associated time limits and resources; and (iv) accountability procedures for funding transferred under the program, whereby the coexecuting agencies will be responsible for establishing and maintaining proper accounting and records systems to support expenditures and investments under the program. **As a condition previous to the first disbursement for individual execution of each component, an agreement must be signed between MIDEPLAN and the agency responsible for its coexecution.**

B. Execution plan

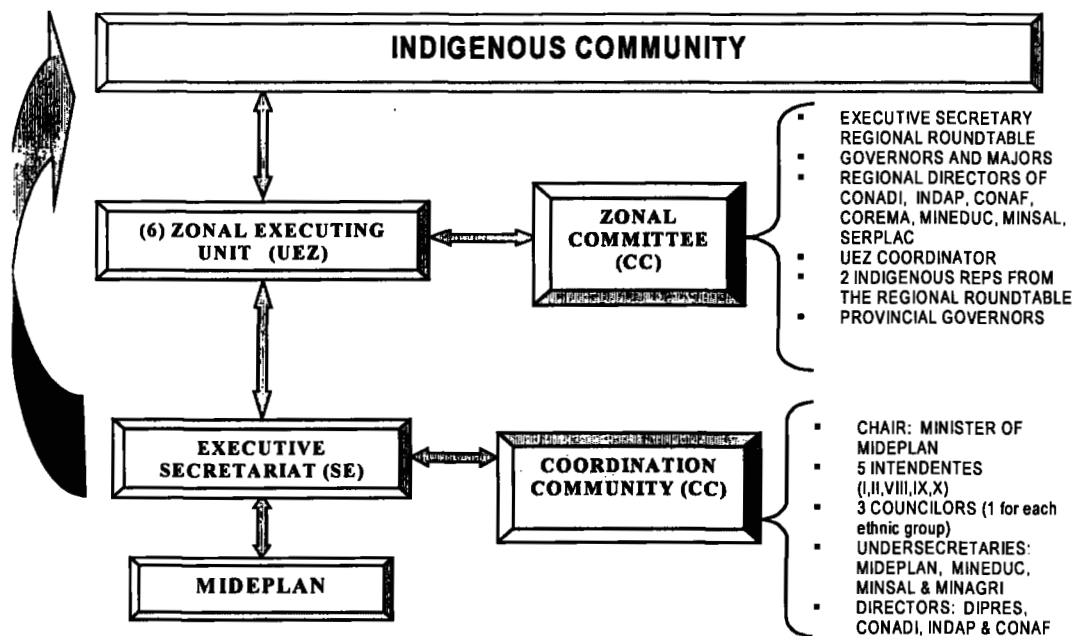
- 3.3 The program execution plan has three levels: (i) national, involving the SE and the Coordination Committee (CC); (ii) regional, involving the Zonal Executing Units (UEZ) supported by a Zonal Committee (COZ); and (iii) community, where proposals will originate for activities in the indigenous communities, and where actions and projects under the program will be implemented. The execution plan is decentralized with respect to its various products, and calls for active participation by beneficiary families and communities. At the same time, suitable indigenous professional and technical staff will be involved at all stages of execution: preference will be given to the hiring of indigenous professional and technical personnel, where qualifications are equal.

1. Coordinating Committee

- 3.4 MIDEPLAN will chair the CC, which will be created by Supreme Decree and will consist of three indigenous councilors appointed by the CONADI Council,

representing the three participating ethnic groups, plus the authorities described in Graph III-1, and the program's Executive Secretary, as secretary of the committee. The CC will be expected to: (i) ensure full coordination of program activities; and (ii) recommend any needed adjustments to the program's general lines of action and to the administrative and financial undertakings. The CC will hold quarterly meetings to consider and recommend action with respect to annual planning and execution of the program. The participating authorities will appoint representatives to a technical committee of the SE. **Constitution of the CC and its operating rules will be a condition previous to the first disbursement.**

Graph III-1: Execution Plan



2. Executive Secretariat

- 3.5 Through the SE, MIDEPLAN will be responsible to the Bank for coordinating program execution with respect to accounting and financial aspects and internal control aspects, such as: (i) preparation of applications for disbursements and justification of expenditures; (ii) maintaining detailed accounting and financial records for the program; (iii) preparing and submitting semi-annual financial reports on the revolving fund; (iv) preparing and submitting audited financial statements for the program; and (v) other reports as required.
- 3.6 The SE will consist of an Executive Secretary, who will be assisted by a team consisting of: (i) a specialist in each of the component areas (institutional strengthening, productive development, education and health), preferably an

indigenous expert or one with significant relevant experience; (ii) an administrative and financial expert; (iii) an environmental expert; (iv) a legal adviser; and (v) a technical support person. The SE will be located in Santiago. **Submission of evidence that the SE has been constituted with the qualified technical personnel necessary to carry out its responsibilities will be a condition previous to the first disbursement. Selection procedures, terms of reference, draft contracts and the personnel budget will be submitted in advance for the Bank's approval (preference will be given to the hiring of indigenous experts and staff, where technical qualifications are equal).**

- 3.7 The principal functions of the Executive Secretary will be: (i) to administer, coordinate, supervise and guide execution of program activities; (ii) create a mechanism to ensure the efficient management of funds; (iii) execute the component for "strengthening indigenous communities and public institutions"; (iv) handle disbursements to the coexecuting agencies, in accordance with the terms and conditions established in the respective agreements, and request any accounting and reports necessary; (v) perform the duties of Technical Secretary of the CC; (vi) select the indigenous communities for participation in phase I of the program, in accordance with the eligibility criteria established in the Operating Regulations (OR); (vii) ensure the completeness, coherence and ethnic relevance of interventions; (viii) approve the transfer of funds to the indigenous communities; (ix) approve and sign contracts and agreements; and (x) execute the social marketing component; (xi) coordinate the design and implementation of the program's information system; (xii) undertake monitoring and evaluation of the program; (xiii) conduct the support studies for promoting investment in indigenous areas; and (xiv) conduct a critical analysis of the delivery of government economic development services.
- 3.8 The objectives of the program information system will be: (i) to facilitate the monitoring of program execution and fulfillment of the goals for each of its subcomponents; (ii) update and monitor execution of the program budget; (iii) provide prompt access for program participants, the general public and government supervisory institutions to information on program execution. The program will pay for the Accounting Reports System of the SE and the coexecuting agencies, which will be part of the program information system. The program information system must be designed within the first six months of execution, counting from the first disbursement, so that it will be ready for implementation during the second half of the first execution year. There must be terminals available in each of the UEZ and in the agencies responsible for executing the components. As well, there will be a Web page linked to the pages of MIDEPLAN and CONADI.

3. Zonal Executing Units CONADI-IDB

- 3.9 The SE will operate in a deconcentrated manner through the UEZ in regions I, II, VIII, IX and X. The program will have six UEZ, one for each region, with the exception of Region IX, which will have two. The UEZ will report to the SE and will be located, wherever feasible, within the offices of CONADI. The UEZ will coordinate with officials of the executing agencies in their respective regions, and with the local governments. The UEZ will constitute the entry point and the "single window" of access to the program for indigenous communities.
- 3.10 The UEZ will have the following responsibilities: (i) to provide information, promotion and publicity about the program in indigenous communities; (ii) to select the promoters, who must be approved by the indigenous communities; (iii) to conduct a preliminary feasibility evaluation of production projects, together with representatives of CONADI, CONAF and INDAP; (iv) to conduct a technical evaluation of the PCDs [Community Development Plans], including their production projects, and to convene the COZ to review them; (v) to submit cultural projects for consideration by CONADI; (vi) to coordinate with MINSAL for the evaluation of health projects; (vii) to sign PCD execution agreements with the communities; (viii) to sign agreements on behalf of indigenous communities with project executing agencies; and (ix) to conduct technical monitoring of PCD implementation, and in particular of community projects, helping to identify and deal promptly with any bottlenecks.
- 3.11 Each UEZ will consist of a coordinator, who will be supported by a technical team composed of rural development experts and administrative and financial specialists, and two promoters for roughly every 20 communities, depending on geographic or demographic concentration, who will maintain liaison between the communities and the program. The communities will review the promoters' annual work plan, and the schedule of their activities, and will supervise and evaluate their work. The social promoters must be sure to include the gender perspective in their activities, in order to encourage women's participation. The social promoters must have experience in community development and will be responsible for: (i) advising and assisting communities in organizing themselves and in managing the entire project cycle; (ii) identifying training needs and providing guidance to indigenous communities; (iii) ensuring broad participation by community members, and particularly by women and youth; (iv) supporting implementation of the environmental education plans; (v) keeping the community informed of the characteristics and rules of the PCD; (vi) helping with preparation of the PCD and with the quality of proposals; (vii) facilitating implementation of the PCDs and the community initiatives; (viii) assisting the community in accessing other sources of development funding; (ix) facilitating liaison and communication between the community and the program, and with other municipal, provincial and regional agencies; (x) encouraging the establishment of alternative credit mechanisms in the communities, for example mutual support funds, to provide guarantees for loans;

and (xi) supporting the UEZ in its inter-sector coordination task, identifying and providing prompt warning of any problems that may arise in the communities.

4. Zonal committee

- 3.12 Each UEZ will have a COZ, consisting of the representatives mentioned in Graph III-1. Where appropriate, the committee will also include the Regional Environment Commission (COREMA) and the National Women's Service (SERNAM). The UEZ will be responsible for convening each session of the COZ, which will meet at least quarterly. The COZ will be responsible for the following tasks: (i) coordinating program activities at the regional, municipal and community level; and (ii) approving all eligible plans and projects submitted by the UEZ, in accordance with procedures that each COZ will adopt on the basis of a proposal from the UEZ coordinator.

5. Indigenous communities

- 3.13 Indigenous communities will be directly involved in identifying their problems, prioritizing interventions, managing and conducting the preparation of plans, and executing and monitoring activities. Because the spirit of the program is to delegate project execution to beneficiary communities, participating indigenous communities will have a reference budget, as part of their PCD, from which they may draw funds once progress with the PCD has been demonstrated to the UEZ. Each community will contract for local services and works as required for its community initiatives.
- 3.14 Indigenous associations participating in the program must be legally constituted. The UEZ will support this process, so that the requirement will not become an obstacle to participation. The program's Executive Secretary will sign the execution agreements (CE) for the initiatives included in the respective PCD.

C. Operating Regulations

- 3.15 The program will be governed by the Operating Regulations, which will contain rules and procedures for execution of each component and subcomponent, as well as the obligations and duties of the executor and of all participating agencies. As well, the OR will determine the eligibility criteria for activities to be financed under the program. **Entry into force of the OR, by means of a resolution of the Undersecretary of MIDEPLAN, will be a condition previous to the first disbursement.**

D. Program execution

- 3.16 Program execution will begin with three studies. The first will determine the geographic location and legal status of the Mapuche, Aymara and Atacameño communities, in order to select the 600 communities that will participate in the

program. The second study will continue or supplement the demographic, social, cultural and economic studies relating to land use and land ownership, as an input to promotion and community planning activities. That study will have a gender element, and will identify the specific status and problems of women, and existing gaps. At the same time, a third study will determine the methodology for promotion, participatory planning and strengthening of participating communities.

1. Strengthening indigenous communities and public institutions

- 3.17 This component will be executed by the SE jointly with the UEZ. The strengthening of CONADI will be the responsibility of the institution, with the support of the SE. Technical assistance and training activities, both for strengthening communities and for improving government agencies, may be contracted out to professionals and technical experts and to civil society organizations, with preference to those employing indigenous professionals or technicians.
- 3.18 The component will comprise four different stages, details of which will be defined in a study to be contracted for this purpose: (i) preparatory field work; (ii) participatory planning and definition of a Community Development Plan (PCD) and annual operating plans; (iii) execution of the annual operating plan; and (iv) mentoring and graduation. Interventions in individual communities will not exceed 33 months, and the average cost will be limited to US\$4,200. The actual amount will vary depending on the specific circumstances of each community, such as the number of families and quality of life, social and geographic characteristics, etc.
- 3.19 The PCDs submitted by the communities are seen as representing the culmination of a participatory planning process, distilled in a development plan of activities agreed upon by all members of the community, and consistent with and appropriate to their needs and aspirations, as well as the opportunities and constraints inherent in the program and government policies.
- 3.20 During the participatory planning stage, activities will be undertaken to allow communities to establish objectives, define priorities, acquaint themselves with sector-specific technical standards, take decisions on resource allocation priorities and identify available sources of funding, within and beyond the program. The community will need to distinguish between projects that will benefit all members and those that will help particular groups of families in specific areas of productive development. It will then have to assess the advantages of pooling efforts with neighboring communities for carrying out inter-community projects. The PCDs will have to meet at least the following requirements: (i) they must be consistent with local, regional and national policies; (ii) they must give due consideration to the community's surroundings and the institutional framework of the municipality, the province and the region; (iii) proposed initiatives must be feasible and relevant; (iv) they must have been developed with broad community participation; (v) they

must serve priority needs of the community; (vi) they must be consistent with local development policies, standards and strategies; (vii) they must be technically and financially feasible; (viii) they must promote the economic or social and cultural development of the community; (ix) they must contain a monitoring plan; (x) they must provide for the maintenance of works or the sustainability of interventions; and (xi) they must be consistent with the environmental procedure contained in the OR.

- 3.21 Communities will need to open bank accounts into which the SE, through the corresponding Regional Secretariats of Planning and Coordination (SERPLAC) or other public or private agencies, will deposit funds approved for executing community initiatives, including those in the health area, in accordance with mechanisms and criteria established in the OR. The amount of funding will be determined in accordance with the OR.
- 3.22 In addition to strengthening CONADI, other activities will be undertaken to incorporate the indigenous and intercultural perspective into participating public institutions. Support for the "Commission for Truth and a New Deal" will be the responsibility of the SE; these activities will be conducted during the first two years of program execution. The SE will contract for technical advisory services and specialized studies to support the CONADI Council in its decision-making role.

2. Productive development

- 3.23 Specific projects involving investment or the provision of services, for financing under the "rural production" subcomponent, will be set out in Production Plans (PP). Program resources may only be used to finance projects that can be executed within the program time limits. Project execution will be the responsibility of INDAP, CONAF or CONADI, depending on whether projects are in agriculture, forestry or other sectors.
- 3.24 The project cycle begins with the process of formulating, evaluating and approving the production plans. Following is the schedule of activities comprising this process: (i) participating communities will be responsible for preparing their *production plans*. Under the "community support" subcomponent, up to 20 specialized consultants may be contracted to assist up to 20 communities requiring technical assistance in preparing their plans; (ii) each production plan will be subjected to *classification and assessment* by the UEZ, in accordance with the eligibility criteria established in the OR; (iii) the production plans that are declared eligible will be evaluated from the *technical, environmental and economic standpoints by the UEZ*, with the support of INDAP, CONAF and CONADI. Each UEZ will be able to call upon an academic organization, contracted by the SE on a competitive basis, to perform the evaluation of the plans, where their size or complexity exceeds the capacity of the UEZ, or where any controversy arises. Each UEZ will be responsible for supervising its contract. The process for selecting

candidate agencies must consider the methodological proposals for the technical and economic evaluation of the plans. These proposals will determine the criteria and procedures for approving the plans, which must be consistent with the technical and economic feasibility parameters established for the government services participating in the component, as defined in the OR. One of the plan's eligibility criteria will relate to promoting women's participation in productive activities; and (iv) once the negotiation process is complete, the execution process for the projects contained in each production plan will be worked out by the UEZ with INDAP, CONAF, CONADI and the community, by means of an Execution Agreement (CE).

- 3.25 Participating communities will be fully responsible for managing the production plans. Together with INDAP, they will contract for consulting services through the *"community support"* subcomponent. These consultants will provide technical assistance and support for managing the production plans. Specialized consulting services will help up to 6,000 families who currently have no such technical assistance. INDAP will administer the contracting of these services on behalf of the program.
- 3.26 The studies for investment promotion in indigenous areas called for under the "community support" subcomponent will be conducted by one or two specialized firms with experience in evaluating large private investment projects, in at least the following areas: tourism, forestry, livestock and agriculture. The studies will need to design a development plan for each ADI. The SE will be responsible for contract supervision.
- 3.27 The zonal technical coordinators, project managers and administrators for supporting the work of INDAP, CONAF and CONADI will be contracted individually under the subcomponent for *"support for government development agencies"*. Contracts for these consultants will be administered by the respective beneficiary agency.
- 3.28 During the second year of program execution, under the subcomponent for *"support for government development agencies"*, a specialized consulting firm will perform a critical analysis of the current delivery of government development services. The consulting firm will have at least one economist with at least ten years experience in evaluating productive projects in rural areas.

3. Education and culture

- 3.29 At the national level, the subcomponent for "promoting indigenous culture and art" will be the responsibility of CONADI, through its Culture and Education division, in coordination with MINEDUC (Culture Division). For these purposes a joint technical committee will be established, with functions and membership as determined in the OR. 15 cultural promoters will be hired to provide support and technical assistance to communities in generating and restoring their cultural

heritage. At the regional or provincial level, CONADI will be supported by the UEZ and, where outsourcing is required, it will draw upon local CSOs and indigenous expertise. At the local level, it will be the communities and families themselves, in interaction with local schools, who will be responsible for executing activities relating to cultural and artistic development.

- 3.30 The subcomponent for "implementing the Intercultural Bilingual Education Project (PEIB)" will be executed by MINEDUC, with the support of the CONADI Division of Education and Culture. In this respect, both the Ministry Program and the CONADI Division of Culture and Education will be strengthened institutionally, at the national and provincial level, by contracting specialists in bilingual intercultural education (EIB), as well as by providing them with computer equipment and upgrading their facilities. To coordinate the work of these two institutions, a technical committee will be set up, with functions and membership as specified in the OR. In order to begin activities under *new information and communication technologies, as well as those relating to intercultural education programs for youth and adults*, a proposal must be submitted for the Bank's approval, describing in detail the various phases of development and implementation and the evaluation mechanisms that will be considered for measuring results.
- 3.31 At the territorial or provincial level, the Provincial Education Directorates will be responsible for implementing the subcomponent in the schools, with the support of CONADI's regional units (education and culture specialists). A pedagogical team specialized in EIB, consisting of supervisors and technical experts, will be established for this purpose. This team will be responsible for providing support and technical advice to the 150 participating schools. At the local level, and drawing upon experience with rural microcenters, schools participating in the PEIB may organize themselves on a geographic basis, depending on their degree of isolation, their size and their interest. This will encourage greater socialization of the challenges implicit in the program, foster professional interchange among teachers, and make it possible to generate support networks. Each school will sign a management contract that will establish duties and rights vis-a-vis the program, and will thereby facilitate social control of outcomes by the community.
- 3.32 In a parallel manner, these three levels will be able to draw upon the support of CSOs, universities and other bodies engaged in indigenous education and cultural affairs, to provide support under contract for certain activities under the program. This will encourage the development of technical support networks complementary to MINEDUC's network.

4. Intercultural health

- 3.33 This component will be executed under the responsibility of MINSAL by the Undersecretariat of Health, through the Special Program for Health and Indigenous Peoples (PESPI) of the Primary Care Division, the Regional Health Ministry

Secretariats (SEREMI de Salud), the Health Services and the municipal health entities, in accordance with the rules stipulated in the various subcomponents and in the OR. The program's SE will be the technical counterpart body, through the health component manager. At the central level, the PESPI will be assisted by a technical committee comprising the health component manager of the SE, representatives of CONADI, the National Health Fund (FONASA), MINSAL, and an indigenous representative for each ethnic group. The central PESPI team, once it is transformed into an Indigenous Peoples' Health Unit (USPI), will be reinforced with additional personnel.

- 3.34 As provided in the OR, implementing the various subcomponents will involve the national coordination teams, PESPI, PESPI coordinators in the SEREMI de Salud for the participating regions and for the Health Services involved, CONADI, municipalities, health teams for the second subcomponent, monitors contracted for the third subcomponent, indigenous medicine practitioners, and the promoters trained under the institutional strengthening component. The responsibilities of the regions participating in the program will be incorporated into the management commitments that the Ministry of Health negotiates with them each year.

5. Social marketing

- 3.35 The social marketing component will be the responsibility of the SE and must be designed within six months following the first disbursement. The target audience of the program will be: (i) current and potential users/beneficiaries of the program; (ii) officials of the coexecuting agencies; (iii) public officials and the civil service in general; (iv) authorities and leaders of the regions where the program is being conducted; and (v) public opinion in general.

E. Procurement of goods and services

1. Bidding procedures

- 3.36 The procurement of goods and services and the execution of works will be done in accordance with existing Bank procedures, which will be an integral part of the loan contract. In the contracting of consulting services, the procedures of Document GN-1679-3 will be followed. International competitive bidding will be compulsory for procurement in amounts exceeding US\$5 million, in the case of works contracts²; US\$350,000 in the case of procurement contracts for goods; and US\$200,000 in the case of consulting contracts. Works or procurement contracts for amounts less than these figures will be governed by national legislation.
- 3.37 An analysis of MIDEPLAN and the other participating public agencies shows that they have adequate procurement management capacity. For this reason, it is

² No works contracts for this amount are expected, which means that there is unlikely to be any international bidding.

recommended that the Bank review contracting by public agencies on an ex-post sampling basis, for works worth less than US\$500,000, for procurement contracts of less than US\$175,000, for consulting firm contracts of less than US\$100,000 annually, and in the case of individual consultant contracts, for less than US\$35,000 annually.

- 3.38 At the same time, contracting and procurement of works, goods and services for amounts less than those indicated in paragraph 3.36, but where international bidding is considered necessary, will be subject to the following limits:
- a. For consulting services in amounts less than US\$200,000: (i) direct contracting up to US\$300; (ii) price shopping (which would require contracting the best of at least three quotations) up to US\$35,000; (iii) limited local bidding, using rules applicable to the public sector, up to US\$100,000; and (iv) local competitive bidding, using rules applicable to the public sector, up to US\$200,000.
 - b. For procurement of goods in amounts less than US\$350,000: (i) direct contracting up to US\$300; (ii) price shopping (which would require contracting the best of at least three quotations) up to US\$35,000; (iii) limited local bidding, using rules applicable to the public sector, up to US\$100,000; and (iv) local competitive bidding, using rules applicable to the public sector, up to US\$350,000.
 - c. For works in amounts less than US\$5 million: (i) price shopping (which would require contracting the best of at least three quotations) up to US\$40,000; (ii) limited local bidding, using rules applicable to the public sector, up to US\$200,000; and (iii) local competitive bidding, using rules applicable to the public sector, up to US\$5 million. Communities will be allowed to execute the works on force account for amounts less than US\$40,000, as detailed in the following paragraph. The major planned procurement items are detailed in Annex III-1.

2. Works on force account

- 3.39 In the case of minor works where communities have the capacity to execute them for their own account (at a price equal to or less than the ad-hoc reference prices established by the SE), they will be allowed to administer their execution directly, up to 30% of their total investment allocation. The SE will issue instructions with indicative unit prices for works of this type, which will apply both to works on force account and to those executed by private entities.

3. Local expenditures and evaluation of bids

- 3.40 To help communities in the process of selecting and contracting works, goods and consulting services, the SE and the UEZ will publish calls for tender and will prepare lists of locally active individuals, companies and entities in the areas of:

training, project analysis, supply of materials and other goods, construction works, and any other area as appropriate. As indicated in the Operating Regulations, a mechanism will be set up so that the SE has the data needed to update the price list.

4. Ownership of goods procured

- 3.41 Except where expressly authorized by the Bank, goods procured with program funding must be dedicated to program purposes. Once execution is completed, however, they may be devoted to other purposes, at the recommendation of the SE. Goods acquired with program funding for use by participating public institutions, including municipalities, will become part of their institutional assets, with due regard to provisions governing intellectual property. With respect to goods procured by communities with program funding, these will long to the recipient communities.
- 3.42 The management of infrastructure works constructed by the communities will be transferred to public entities, where appropriate, so that they can be incorporated into the network of the corresponding entity, which will take over responsibility for their operation and maintenance.
- 3.43 Before a community undertakes fixed investments, it must demonstrate to the UEZ that it has legal rights to the land on which it intends to build.³

5. Procurement information system

- 3.44 With respect to the Procurement Information System (PRISM), no information will be provided on procurement by communities for amounts below the international bidding limits. There are expected to be a great many acquisitions for small amounts, and reporting of this kind would impose an excessive workload on the Country Office; in any case, the data will be recorded in the regular reports and in the disbursement applications.

F. Disbursement period

- 3.45 Resources under the first phase of the program are expected to be committed within three and half years, and the disbursement period will be four years. MIDEPLAN, along with each of the coexecuting agencies, will establish specific and separate bank accounts for funds from the loan and from the local counterpart contributions. The Bank may advance money to establish a revolving fund, up to a maximum of 5%, as a charge to the loan, once all conditions precedent to the first disbursement have been met. These funds will be deposited and managed by the executor in a special bank account in the name of the program. The OR will establish agreements

³ Ownership may be demonstrated by: (i) deed of ownership or usufruct; (ii) certified hereditary right; or (iii) any other evidence acceptable to the SE, consistent with CONADI technical reports.

relating to financial and accounting administration of the program. Within sixty days after the end of each six-month period, the executor will present consolidated status reports for its own revolving fund and that of each of the UEZ. The following table shows the tentative investment and disbursement schedule for the first phase, in accordance with the execution plan, for proceeds of the loan and of the local counterpart contribution.

| Table III-1: Disbursement schedule (in US\$ millions) | | | | | | |
|--|---------------|---------------|---------------|---------------|--------------|----------|
| Source | Year 1 | Year 2 | Year 3 | Year 4 | Total | % |
| IDB | 6.9 | 16.3 | 10.5 | 1.1 | 34.8 | 60.0 |
| Local | 2.6 | 9.0 | 9.4 | 2.2 | 23.2 | 40.0 |
| Total | 9.5 | 25.3 | 19.9 | 3.3 | 58.0 | 100.0 |
| % | 16.0 | 44.0 | 34.0 | 6.0 | 100.0 | 100.0 |

- 3.46 Because of the institutional complexity, and the geographic scope and variety of the program's components, the only feasible way of reviewing disbursements of the Bank loan will be on an ex post basis. Nevertheless, since the program does not yet have an institutional base that would ensure that this alternative could be implemented satisfactorily, the first loan disbursements will be reviewed ex ante. The Country Office will advise on the timing, scope and frequency of ex post review, on the basis of its assessment of the SE's financial administration and the results of its review of the executor's expenditure reports.
- 3.47 To help overcome this limitation, the Country Office is working with the counterpart agency to launch a series of financial administration seminars for the coexecuting agencies, and these may begin as early as March 2001.
- 3.48 As well, it is planned that the internal audit departments (or equivalent) of the various participating institutions, as part of the program's internal control mechanisms and in coordination with the External Auditors (Comptroller General's office), will prepare an annual audit program for funds passing through their institutions. The results of these annual audits will be promptly reported to the SE and to the Bank, and the SE will include them in its semi-annual progress reports, together with the consolidated financial statements for the program (covering investments by category and source of funds and cash receipts and disbursements).

G. Program monitoring and evaluation

- 3.49 The operation will be monitored primarily on the basis of the indicators shown in the logical framework for the program (see Annex III-2) and in the specific logical frameworks for various components, attached to the OR. Because of the program's multi-phase and multi-sector nature, however, special care will be taken to identify any problems that might threaten the success of the first phase, so that any required technical adjustments can be made. Within two months after the loan is declared

eligible for disbursement, the Bank will help MIDEPLAN to hold a workshop for launching the program.

- 3.50 For monitoring the operation, the SE will present semi-annual reports to the Bank within 60 days after the end of each calendar six-month period, containing a progress report on execution and on fulfillment of the annual goals established for each component.
- 3.51 At the same time, the SE's financial planning and management will be closely monitored during the first year of execution, and disbursements will be made on the basis of expenditure projections for the next four months. Those projections will be based on assumptions and forecasts by the UEZ and by the SE itself for each six-month execution period. During program execution, the borrower, through MIDEPLAN, will present financial statements for the program, audited by the Comptroller General's office, within 120 days after the end of each fiscal period.
- 3.52 Annual meetings will be held during the first phase of the program (roughly two months after delivery of the second semi-annual report) between the Bank, MIDEPLAN and participating agencies in order to review progress reports and the fulfillment status of the goals established in each of the components and subcomponents, and to consider any difficulties encountered during execution so that necessary changes and adjustments can be identified. Field visits will be conducted to ensure that the execution mechanisms are functioning properly, that participation is achieving the desired levels, that monitoring tools are being applied effectively, and that the participatory process of submitting community development plans is running smoothly.
- 3.53 The program will be monitored on an exhaustive basis, i.e. in all of the participating indigenous communities. The initial focus will be on the way beneficiaries are carrying out their functions, and identifying causes and solutions for any problems, mistakes or shortcomings that may have arisen during execution.
- 3.54 Participatory Management Support Committees (COPAG) will be established in the indigenous communities, as forums for citizen participation and control, with the task of monitoring commitments assumed under the program, reporting to the UEZ on overall progress with the program, and making recommendations for improving it. The COPAGs will meet each year, on a regional basis, with the indigenous communities and the program governing bodies, to review operations. The COPAG will consist of representatives of the community where the projects are located. The promoters and the COPAG will constitute the prime sources of inputs into the community monitoring process. They will keep systematic records, using standard instruments, so that the UEZ and other institutional players can be supplied with objective information for taking timely corrective action.
- 3.55 Overall monitoring of the program will be contracted to a specialized entity using a "case study" methodology to examine in-depth any anomalies detected and to

render an opinion as to their causes. Participatory methods will be used to design alternative solutions. This contract will run for three and half years, which will allow the responsible entity to establish a close relationship and sense of commitment to the program. The contract will include grounds for termination of the relationship, and procedures for modifying the terms of reference and re-negotiating the amounts committed. Reports will be produced with products that are: (i) predefined, relating to key moments in the execution of each component; and (ii) associated with unexpected events that affect the proper functioning of the operation.

- 3.56 In order to evaluate the progress and results of the program, an evaluation and monitoring system will be designed at the beginning of execution, and a baseline will be established that will include, among other indicators, initial data on the ADIs, the institutional capacity of the participating agencies, the requirements in the OR Environmental Procedures, and the awareness and understanding of indigenous problems shown by the public officials involved, as well as a socioeconomic and cultural characterization of the participating communities. The design of the system will be based on the indicators shown in the logical framework. Program evaluations will be designed and executed by independent consultants or academic institutions, and they will work out the indicators and design with the SE. The design of the evaluation and monitoring system, as well as the baseline, will be submitted to the Bank within six months after the first disbursement, with information loaded, processed and ready for use.
- 3.57 For evaluating the results of the production component, a survey will be applied to a statistically representative sample of the participating indigenous population, as of the first year of execution. This study will compare the social and economic progress of beneficiary and non-beneficiary families, on the basis of the variables quantified in the baseline. In the education and health components, official records of MIDEPLAN and MINSAL and other instruments for compiling information will be used, in addition to the data in the baseline.
- 3.58 One of the tasks of the consultants responsible for institutional strengthening activities will be to determine the initial situation with respect to the practices of public officials and CONADI. A supplementary study will involve measuring user satisfaction with institutions participating in the program, namely INDAP, CONAF, CONADI, MINSAL, MINEDUC and the municipalities. This evaluation will use participatory methodologies.
- 3.59 When at least 50% of program funding has been disbursed and at least 70% of resources have been committed, an evaluation will be conducted to determine whether the triggers for extending interventions into a second phase have been met. That evaluation will have a gender content. It will also include aspects relating to: (i) evaluation of the financial control and accounting structure adopted during the first phase of the program; (ii) timely provision of local counterpart funding;

(iii) management of the revolving fund and justification of expenditures; (iv) compliance with contractual clauses; (v) external audit reports; and (vi) the degree of inter-institutional coordination and articulation achieved (effectiveness of the CC, COZ, etc.). This evaluation is planned for the beginning of the third year of execution. The program's contribution to improving living standards in target communities will be measured at the end of the second phase, at which time an impact evaluation will be performed.

H. Operation and maintenance

- 3.60 Operation and maintenance of the equipment and works financed by the program will be the responsibility of the public entities participating in the various program components. The agreements to be signed between the communities and the SE will make provision for the communities to maintain and operate the equipment and works acquired through the program. As of the second year of execution, the SE's semi-annual reports will show the maintenance status of the equipment and works financed, based on a representative sample of investments made in the previous year.

IV. RATIONALE AND RISKS

A. Benefits

- 4.1 The program qualifies automatically as a "poverty-targeted investment" (PTI), because it is aimed at improving living conditions and promoting the development of small-scale farmers and craft producers in rural areas. In fact, many interventions financed by the program will be similar to those financed by the social funds and, as indicated in paragraph 1.3, the indigenous populations in the rural areas where the program will operate show much more critical poverty indicators than the non-indigenous rural population. Generally speaking, indigenous people account for half of the country's indigents (members of families with monthly per capita incomes below US\$36 in urban areas and US\$28 in rural areas). Finally, this operation is consistent with the social equity and poverty reduction goals of paragraphs 2.13 and 2.15 of the Eighth Replenishment document (AB-1704). The government will not be using the 10 percentage points in additional financing.
- 4.2 The program will foster social equity and promote economic and social development, as well as the strengthening of indigenous communities. The program will produce not only material benefits, but will also help to strengthen and develop the culture of participating indigenous communities, and to encourage recognition of the cultural diversity of Chilean society. An important benefit will be the establishment of an intervention model that can respond effectively to the demands of indigenous families, while enhancing the effectiveness of public resources. The participatory approach to the program's design and execution constitutes a further important benefit, since it will strengthen trust among the parties and thereby enhance the prospects for success and impact of this and future interventions. Finally, the training and awareness activities are expected to reduce instances of racism and discrimination in the country.
- 4.3 The program will operate in areas with a high density of indigenous populations, and will seek to foster integral development from an "ethnic-territorial" perspective. The territory constitutes a unit with common social characteristics and productive potential, and does not necessarily coincide with an administrative unit. In effect, it represents a space within which social and cultural capital can be concentrated in order to meet the needs of beneficiaries and strengthen their cultural identity and their sense of place. In this way, the program will also contribute to implementation of the Indigenous Act, and its specific measures for promoting recognition of indigenous rights.
- 4.4 In the health sector, the program is expected to help reduce infant mortality rates and to increase life expectancy, over the medium and longer term, while in the short term it will improve access to and use of health services in rural areas. In the education sector, it will offer more relevant instruction and reduce rates of

repetition and dropout, and thereby help to improve living standards and employment opportunities. In the productive sector, it will help to strengthen indigenous business and producer networks, and will promote agricultural, forestry and non-farming output on a sustainable basis. The program's technical support for improving farming and non-farming activities will help to raise family incomes, strengthen microbusinesses, improve the quality and marketing of their products, and restore raw material supplies for traditional handicrafts. Institutional strengthening and training activities, both for indigenous communities and organizations and for public sector institutions and CSOs, will help to generate and institutionalize a new approach to participatory development that overcomes the limitations of the vertical models that have typified relations between the Chilean State and its indigenous peoples.

- 4.5 Because the program is targeted at the indigenous population, it will have a direct impact on social equity, and will therefore be of benefit to indigenous communities, families, women and youth, by providing services that are more relevant to their culture and in this way reducing the discrimination they suffer. In all its components, the program seeks to optimize opportunities for development with social and cultural relevance, helping communities to articulate their own cultural heritage with the kind of economic development that will allow them to overcome their currently high levels of material poverty. In the design of its components, particularly those involving infrastructure or productive activities, the project will pay particular attention to striking an appropriate balance between economic development and cultural reinforcement.

B. Environmental impact and analysis

- 4.6 The Committee on Environment and Social Impact (CESI) approved Profile II of this operation on 29 September 2000, and requested preparation of a Limited Environmental Assessment (LEA). The program is expected to have a positive environmental impact, as a result of the following activities: (i) restoration of degraded soils and ecosystems; (ii) improved land-use regulation and the management of lands and of the Indigenous Development Areas (ADI); (iii) projects to restore the local natural balance, and to promote ecological tourism and protected natural parks; (iv) reduction in environmental pollution and elimination of environmental liabilities; and (v) training for communities, associations, businesses and public entities in how to incorporate the environment and sustainable development into their projects.
- 4.7 Negative impacts on the environment can be caused by: (i) production projects that fail to take precautions to mitigate their impact; (ii) development projects undertaken without regard to environmental management, which tend to exacerbate the abuse and deterioration of natural resources and thereby reduce economic sustainability; (iii) infrastructure projects that increase pollution by expanding the number of vehicles and the output of sewage, inappropriate use of herbicides, pesticides and fertilizers; (iv) lack of maintenance or abandonment of production

projects; and (v) the negative impacts of building and operating schools and health units.

- 4.8 On the basis of the typologies assessed, it is estimated that the environmental impacts of most of the productive development projects, as well as those in the health and education area, can be readily mitigated, and those impacts are already covered in the existing environmental and sector standards. Nevertheless, to ensure protection of the environment and maximize positive impacts, an Environmental Procedure has been prepared (annexed to the OR), based on inputs from the environmental evaluation. That procedure stipulates: (i) institutional strengthening responsibilities in the environmental area, including the contracting of an environmental specialist by the SE; (ii) funding for environmental education plans in each of the 600 participating communities; (iii) environmental protection criteria for projects; (iv) natural resource management and conservation plans for the ADIs; and (v) environmental goals and indicators for the program.

C. Socioeconomic impact of the program

- 4.9 Because of its multi-phase nature, it is impossible to determine in advance the real impact that projects will have on the well-being of the target population. During the first phase, however, two studies will be undertaken for evaluating the effectiveness of productive development services. The first study will establish a socioeconomic baseline for participating families, and the second will compare socioeconomic progress for families within and outside the program, on the basis of the variables quantified in the baseline study. In both cases, a statistical analysis will be undertaken to identify factors determining the level and composition of incomes. During the second phase, the program will make use of cost-effectiveness studies of its interventions in order to focus on activities that offer the greatest benefits, and to rank the most effective government agencies. In any case, it will be a requirement of the OR that productive projects be shown to be both technically and economically feasible before they are financed.
- 4.10 Program activities to encourage the social inclusion of indigenous communities are expected to produce their main benefits over the longer term, once public programs and policies have been made more relevant to their situation. Many studies have shown that policies and programs targeted at indigenous peoples have a high rate of socioeconomic return, and can help to break the poverty cycle by improving the health, education and output of beneficiary families.
- 4.11 With respect to the productive development component, it is expected that projects financed by government development agencies during the first phase of the program will help to improve the socioeconomic status of rural families. In terms of the design efficiency of the productive development component, 91.7% of the total cost (US\$20 million) will be of direct benefit to the indigenous communities. The remaining 8.3% will be used to cover the monitoring, execution and evaluation

responsibilities of the government. This latter figure is lower than the current administrative costs of government development agencies (INDAP's administrative costs represent 18% of its budget, while the equivalent figure for CONADI is 10%). Considering that a total of 12,000 indigenous families will benefit from activities under this component, the actual amount per family will average US\$400. This amount represents an increase of 62% over the amount per family allocated by the government for productive development in the small producer and farming sectors during the year 2000, and to which indigenous groups already have access.

- 4.12 In terms of *education* interventions, it has been demonstrated that the social benefits flowing from intercultural bilingual teaching programs can produce educational results on a par with the national average, and can result in solid learning and the development of real skills, with a high socioeconomic return in terms of comparative future incomes.
- 4.13 In the *health* area, intercultural relevance makes it possible for the indigenous population to attain basic indicator levels of morbidity, mortality and life expectancy at birth, among others. Something similar occurs in the case of policies and programs in the productive development area, where there are marked problems of execution and impact, because of a lack of relevance and adaptation to the organizational and productive reality of indigenous communities.
- 4.14 Finally, it should be noted that the participatory methodology that was used in the design of the program, and the one that will be followed during program execution, mean that a high percentage of funding will reach the beneficiaries, and that the percentage spent on administration will be as low as possible.

D. Gender considerations

- 4.15 In order to ensure gender equity in community strengthening and development activities, women will be encouraged to participate actively in identifying and prioritizing their needs, and in ensuring that those needs are reflected in the planning process and are incorporated into community development plans. Women will be offered leadership and negotiation training to help them enter or advance themselves in the labor force. Indigenous women already run microenterprises, particularly in handicraft production, and these will benefit from program support and technical assistance for improving the quality and marketing of their products. The entities participating in the Productive Development Component, CONADI, CONAF and INDAP, will consider measures to ensure that the time and income constraints that women frequently face do not constitute barriers to their participation in productive programs.
- 4.16 Women are also expected to take an active part in activities under the health and education components. In fact, the great majority of traditional healers in Mapuche communities are women, as are many of the primary school teachers in rural areas. Programs will offer women employment opportunities in areas other than domestic

service, and will thereby help reduce the tendency of young indigenous women to migrate to the cities in search of work.

E. Institutional and financial feasibility

- 4.17 The institutional feasibility of the program will rely essentially on the commitment of the Government of Chile to meet the demands of indigenous peoples and to promote public policies that will reduce existing social inequalities. The current government has in fact made indigenous issues a political priority and has given direct commitments to the indigenous population to resolve their problems, and to pay special attention to instances of discrimination against them.
- 4.18 All of the participating agencies have expressed their clear interest in and commitment to the program, and this will be confirmed in the agreements that are to be signed with MIDEPLAN. Their commitment is confirmed by the fact that, during the program design stage, a great many officials from the institutions involved have taken part in various aspects of the work (workshops, technical meetings during Bank missions), and a high degree of consensus has been achieved. In addition, the institutional approach of the program at both the national and local level calls for coordinated participation by public agencies, to ensure that their efforts on behalf of the beneficiaries are coherent and timely and that they can be institutionally validated.
- 4.19 There are two processes underway in Chile that will strengthen program execution. In the first place, new impetus has been given to the process of decentralization and deconcentration, where significant progress had already been made in the previous eight years. In the second place, the government shows an interest and willingness to expand citizen participation in managing and controlling public investment decision-making. The program's financial feasibility is based on the country's strict fiscal management, and in particular on the great interest shown by the Ministry of Finance to enhance the impact of public sector investment, through integrated undertakings. The local counterpart contribution to the program is earmarked in the 2001 budget recently approved by the national Congress. One indicator of the government's interest in financing this operation is the fact that the agreed financing mix is 60/40, whereas in the case of a poverty-targeted program (PTI) it could be 70/30. In the case of other programs underway in Chile with Bank financing, the record has been good in terms of the timeliness of counterpart funding.
- 4.20 MIDEPLAN has an administrative structure, reporting to its Undersecretary, that now manages an annual budget of some US\$10 million, and internal control and audit procedures are in place, supplementing the functions of the Comptroller General of the Republic.
- 4.21 Despite this, it is planned to equip the SE with staff who will be fully qualified to manage and make use of the Bank's financing, and who will be experienced in and

familiar with the Bank's procurement rules and procedures. These teams, together with MIDEPLAN's administrative structure, will therefore have the necessary technical and procedural capacity to deal with the program's institutional complexity and to manage the anticipated volume of funding.

F. Risks

- 4.22 The success of this program will depend on the willingness of the Chilean government to establish better communications and relations with indigenous peoples, to recognize the specific nature of their culture and their problems, and to ensure the program's continuity over time. Nevertheless, there is the risk that some sectors will not respect the principles of the program, i.e. participation, intersectoral coordination, transparency and information. Individual public officials may still betray attitudes of discrimination with respect to indigenous cultures, and this could affect the degree of participation and trust on the part of the beneficiaries. Measures to mitigate this risk will include consciousness-raising and training for public officials. In particular, the program has encouraged a high degree of involvement and commitment from the design stage onward.
- 4.23 There is a further risk associated with the intersectoral nature of the program, which means that execution will be complex, involving many different public entities with differing institutional approaches. This risk will be mitigated both by the commitment of the participating entities, as reflected in the agreements that each of them will sign with MIDEPLAN, and by the emphasis on intersectoral coordination efforts within the program committees.
- 4.24 Among the Mapuche population in particular, where social organization is fragmented, there is the risk of failure to achieve effective coordination between the decentralized State apparatus and the traditional form of indigenous social organization, and this could pose problems for program execution. To minimize this risk, the program will provide training and strengthening for indigenous organizations and will stress the creation of an effective institutional structure for the ADIs.

PROJECT CH-0164 2001-2004 PROCUREMENT PLAN

| Item | Quantity | Form of Procurement | Total in US\$ 000 | Source of funding | | Estimated p date of calls tender |
|--|---|---------------------|-------------------|-------------------|------|--|
| | | | | Local | IDB | |
| I. INSTITUTIONAL STRENGTHENING | | | | | | |
| CONSULTING SERVICES 1/ | | | | | | |
| istics and location of communities | 1 study | LLB | 100.000 | | 100% | 2001 |
| the participatory working methodology and training for | 1 workshop | S | 30.000 | | 100% | 2001 |
| nd support for indigenous institutions in the ADIs | 5 global | ICB | 450.000 | 100% | | 2002 |
| orce management and conservation plan | 5 plans | LLB | 100.000 | 100% | | 2002 |
| ental management training workshop | 1 global | LCB | 120.000 | 100% | | 2002 |
| or 120 leaders of indigenous organizations | 1 global | LLB | 66.000 | 100% | | 2001 |
| s to examine international experience | 3 workshops | LLB | 60.000 | 100% | | 2001 |
| g the approach of public officials | 8 groups of 60 persons 2 courses each group | ICB | 544.000 | 100% | | 2001 |
| recommended in the proposal (administration, human management, delegation of functions, monitoring and , etc.) | 1 global | ICB | 450.000 | 100% | | 2002 |
| n and conflict management courses for 40 public | 2 courses | LLB | 100.000 | 100% | | 2001 |
| ing communication and information capacities: design mentation | 1 global | ICB | 250.000 | | 100% | 2001 |
| II. PRODUCTIVE DEVELOPMENT | | | | | | |
| CONSULTING SERVICES 1/ | | | | | | |
| Identify and evaluate investments | 2 studies | LCB | 400.000 | | 100% | 2001 |
| e effectiveness and quality of government development | 1 global | LCB | 140.000 | | 100% | 2002 |
| III. EDUCATION AND CULTURE COMPONENT | | | | | | |
| EQUIPMENT | | | | | | |
| iovisual equipment | 150 sets, with: 3 computers, 1 printer, 1 TV, 1 video, 1 projector and 1 camcorder | ICB | 1.087.000 | | 100% | 2002 I, II |
| equipment for Adult intercultural Education Centers | 3 Center in Regions I, II and VIII | LCB | 180.000 | 100% | | 2002 I y |
| al television equipment | Antenna, decoder | LCB | 205.000 | | 100% | 2002 |
| s and audiovisual equipment MINEDUC | 10 computers, 2 laser printers, Datashow projector, scanner | S | 28.870 | | 100% | 2001 |
| EDUCATIONAL MATERIALS | | | | | | |
| broadcasting campaign (culture and education) | 10 contracts, 3 campaigns per year | LCB | 300.000 | 100% | | 2001 II; |
| of educational materials | 21,000 sets | LCB | 189.000 | | 100% | 2002 I |
| n, publishing and distribution of school textbooks | 360,000 copies | ICB | 1.080.000 | | 100% | 2002 |
| n of intercultural anthologies | 30.000 copies | LCB | 144.000 | | 100% | 2002 |
| nd musical equipment and tools | 600 sets | LCB | 231.000 | | 100% | 2002 |
| library with intercultural and bilingual materials | 47.000 copies | ICB | 372.000 | | 100% | 2002 |
| al software development | 3 programs and user manuals | S | 30.000 | | 100% | 2002 |

| | | | | | | |
|--|---------------------------------|-----|---------|------|------|--------------|
| Production of teaching videos on indigenous culture | 9 videos | LCB | 153.000 | | 100% | 2000 I, 2001 |
| Workshops on project experience | 10.000 copies | LLB | 40.000 | | 100% | 2003 |
| Didactic materials | 1 global | LCB | 220.000 | | 100% | 2002 |
| Workshops on systematizing experience | 3.000 copies | S | 30.000 | 100% | | 2003 |
| Production and distribution of instruments (ex-ante ex-post) | 12.000 copies | LLB | 36.000 | | 100% | 2002 |
| CONSULTING CONTRACTS 1/ | | | | | | |
| Production of an Indigenous Arts and Culture Biennial | 1 event | ICB | 500.000 | 100% | | 2003 |
| Training curriculum analysis | 1 outcome report | LLB | 96.000 | | 100% | 2002 |
| Evaluate EIP programs and their graduates | 1 outcome report | LLB | 40.000 | 100% | | 2002 |
| Study the use and impact of school texts | 1 outcome report | LLB | 60.000 | | 100% | 2002 |
| Study of teaching practices | 1 outcome report | LLB | 96.000 | | 100% | 2001 |
| Study the socio-linguistic context | 1 outcome report | LLB | 96.000 | | 100% | 2002 |
| Study of EIB grads and post-grads | 1 outcome report | LLB | 48.000 | | 100% | 2002 |
| Description, selection and incorporation of indigenous contents | 1 outcome report | LLB | 48.000 | | 100% | 2002 |
| Study of the Education and Culture component | 1 outcome report | LLB | 77.200 | | 100% | |
| Systematize current experience and identify the needs of youth and adults | 1 outcome report | LLB | 67.000 | | 100% | 2001 |
| Design, validation, processing and analysis of pre-test results (baseline) | 4 outcome reports | LLB | 76.000 | | 100% | 2002 |
| Study of the curriculum situation | 1 outcome report | LLB | 76.800 | | 100% | 2001 |
| Development training sessions for EIB supervisors and | 2 sessions | S | 32.400 | | 100% | 2001 |
| Evaluation workshops | 5 workshops | S | 25.000 | 100% | | 2003 |
| Interchange encounter | 1 encounter | LLB | 45.000 | 100% | | 2002 |
| Assistance for pedagogical design and coaching | 1 global | LCB | 180.000 | | 100% | 2001 |
| Opening the adult intercultural center for Region IX | 1 global | S | 30.000 | | 100% | 2002 |
| Socio-cultural monitors to support training/monitoring | 6 sessions | LCB | 112.500 | 100% | | 2001 |
| Training session for EIP supervisors and experts | 1 global | S | 20.000 | 100% | | 2001 |
| Evaluation sessions: encounters, PEI preparedness and (5) | 5 encounters | S | 30.000 | 100% | | 2001 |
| Production of training strategy and materials (app. 500 teachers) | 1 global | LCB | 135.000 | 100% | | 2001 |
| Refresher courses for teachers | 20 sessions | ICB | 366.000 | 100% | | 2001 |
| Teacher training in 20 microcenters | 1 technical assistance contract | S | 35.000 | | 100% | 2001 |
| Acquisition of a bilingual classroom library | 1 contract | S | 28.800 | | 100% | 2001 |

| IV. INTERCULTURAL HEALTH | | | | | | |
|--|-----------------------|-----|---------|--|------|------|
| CONSULTING SERVICES 1/ | | | | | | |
| Education strategy | 1 global | ICB | 500.000 | | 100% | 2002 |
| V. ADMINISTRATION, AUDITING AND STUDIES | | | | | | |
| EQUIPMENT | | | | | | |
| Equipment | 30 sets | LLB | 46.200 | | 100% | 2001 |
| Equipment, connections, internet, etc. | 7 units | LLB | 40.600 | | 100% | 2001 |
| | 6 units | LLB | 81.000 | | 100% | 2001 |
| CONSULTING CONTRACTS 1/ | | | | | | |
| Marketing study and proposals | 1 contract | LCB | 150.000 | | 100% | 2001 |
| Education items and concrete products | 1 global | LCB | 150.000 | | 100% | 2001 |
| Contracts (radio, TV, etc.) | 5 contracts | ICB | 800.000 | | 100% | 2001 |
| VI. ADMINISTRATION, AUDITING AND STUDIES | | | | | | |
| CONSULTING CONTRACTS 1/ | | | | | | |
| Study | 1 consulting contract | ICB | 250.000 | | 100% | 2001 |
| Staff practices in public services | 1 consulting contract | LLB | 60.000 | | 100% | 2002 |
| Factoring study | 1 consulting contract | ICB | 300.000 | | 100% | 2002 |
| Phase I | 1 consulting contract | ICB | 230.000 | | 100% | 2003 |
| Monitoring | 1 consulting contract | ICB | 320.000 | | 100% | 2001 |
| Installation of the information system | 1 consulting contract | LLB | 100.000 | | 100% | 2001 |
| TOTAL | | | | | | |

International competitive bidding for consulting contracts exceeding US\$200,000; for goods procurement exceeding US\$350,000; no works contracts exceeding US\$5 million are planned.

Contracts below the ICB threshold will be handled in accordance with national rules, with the following limits:

Shopping: up to US\$35,000 for consulting contracts and goods procurement; US\$40,000 for works tendering.

Limited local bidding: up to US\$100,000 for consulting contracts and goods procurement; US\$200,000 for works tendering.

Full international competitive bidding: up to US\$200,000 for consulting contracts; up to US\$350,000 for goods procurement, up to US\$5 million for works tendering.

It is possible during program execution that considerations of cultural relevance may dictate the breakdown of one consulting contract into several smaller contracts.

LOGICAL FRAMEWORK **INTEGRAL DEVELOPMENT PROGRAM FOR INDIGENOUS COMMUNITIES**

| VE | ACTIVITIES | VERIFIABLE INDICATORS | MEANS OF VERIFICATION | ASUMPTIO |
|--|--|--|--|---|
| Program | | | | |
| g omic, d legal ymara, s in | <ul style="list-style-type: none"> Strengthening indigenous communities and the public institutional structure. Productive development. Education and culture. Intercultural health. | <ul style="list-style-type: none"> 600 indigenous communities with approximately 12,000 rural Aymara, Atacameño and Mapuche families strengthened and engaged in culturally relevant, diversified farming and non-farming activities. 50% of public officials in participating institutions are able to deal with indigenous issues more sensitively and efficiently. 150 rural schools offering more relevant education and achieving better results. | <ul style="list-style-type: none"> User satisfaction studies. Outcome and impact evaluation reports on the program. Institutional education project and measurement of educational results. Records of health service utilization. | <p>The government main commitment to indige communities particip program.</p> <p>No conflicts arise bet indigenous population government that woul the program's feasibil</p> |
| Institutional strengthening | | | | |
| unities al e s in the and give he s in an ppropriate evant | <ul style="list-style-type: none"> Promoters and CSOs offering workshops, technical and legal assistance under the program to help communities strengthen their management, organizational structure, leadership and dispute settlement capacities. Training and technical assistance to indigenous producer associations. Intensive training courses based on field experience for public officials. Formulation and implementation of a technical and organizational (administration and communication) strengthening initiative for CONADI. | <ol style="list-style-type: none"> 60% of community members participate in assemblies to elect representatives and define priorities, with at least 40% female participation. <ul style="list-style-type: none"> Leaders of 500 communities have participated in workshops or courses and have received legal and technical assistance in self-management. 5 ADIs constituted with an indigenous institutional structure. Planning completed and management model constructed in the 5 ADIs. 400 communities have a PCDs. 40 associations strengthened in their project formulation capacity, management and understanding of public tendering. 400 public officials have amended their working approach to take account of ethnic and cultural issues and traditions. <ul style="list-style-type: none"> 100% of CONADI officials at the central and regional levels are trained in and using procedures and instruments that are culturally more relevant. | <ul style="list-style-type: none"> Semi-annual reports of the Executive Secretariat. Program information system. Evaluation of results from the first phase. | <p>Indigenous communi thoroughly informed program.</p> <p>Communities are inte participating actively and execution of thei</p> <p>Public officials work indigenous communi sensitive and prepare their practices.</p> <p>CONADI successful consolidates its organ model and its legitim indigenous communi society at large.</p> |

| VE | ACTIVITIES | VERIFIABLE INDICATORS | MEANS OF VERIFICATION | ASUMPTIO |
|--|--|---|--|---|
| Productive development | | | | |
| <p>ovement ditions ño, ouche</p> <p>d ning and ivities ives ible with</p> | <ul style="list-style-type: none"> Communities have defined their own vision of medium-term sustainable economic development and have identified projects. Execution of projects contained in the PDCP has boosted net household incomes significantly for beneficiaries. Productive investment options have been identified to be undertaken in phase 2. | <ol style="list-style-type: none"> 500 PPs have been submitted, reviewed and approved in the first phase. <ul style="list-style-type: none"> 300 contracts signed with communities that had no access to economic development programs of INDAP, CONAF and CONADI. PPs have involved 12,000 indigenous families, including 1,800 households headed by women. One-third of beneficiaries have net earned incomes at least 15% higher than those of non-beneficiaries. Studies in the ADIs have identified options of significant interest to investors. | <ul style="list-style-type: none"> Number of Execution Agreements signed annually. Data contained in the Execution Agreements. Comparison between baseline data and the year 3 survey. Results of pre-feasibility studies. | <p>The national economy grows at annual rates</p> <p>Investors will show interest in projects in indigenous communities have been minimized.</p> |
| Education and Culture | | | | |
| <p>op and ure of cameño</p> <p>l thereby al can</p> <p>ment initiative cope and ng under c ulum, as</p> <p>m, in ded by ymara,</p> <p>unities.</p> | <ul style="list-style-type: none"> Community-sponsored projects and proposals have been financed to promote and develop indigenous culture and art. 150 rural schools have introduced a bilingual intercultural education program (PEIB). | <ol style="list-style-type: none"> 180 projects completed. An Indigenous Arts and Culture Biennial has been held at the end of the first stage. 80% of the 150 schools offering basic education have introduced an Intercultural Education Program and have significantly improved their retention performance (attendance, repetition and dropout rates). Approximately 150 communities and 3000 indigenous families are included and contributing to the education process in the 150 schools participating in the PEIB, and have higher regard for the relevance and quality of the teaching offered by those schools. | <ul style="list-style-type: none"> Report on projects selected and awarded. Publication systematizing the results of this experiment. Annual education statistics. Number of management agreements signed. Results of studies and research. | <p>The CONADI Department of Culture and Education to conduct and lead the project and to strengthen its capacity to make its installed capacity available.</p> <p>The Ministry of Education through the General Directorate of Basic Education Division (EIB Program) will coordinate and guide the project and will strengthen its teams at the national, provincial levels.</p> <p>Supporters and directors of schools are willing to be involved and committed actively to PEIB.</p> |

| VE | ACTIVITIES | VERIFIABLE INDICATORS | MEANS OF VERIFICATION | ASUMPTIO |
|--|--|---|--|--|
| Health | | | | |
| health genous ural unding o public | <ul style="list-style-type: none"> Development and validation of intercultural models for health care and management. Training and sensitization for public officials to improve the quality, sensitivity and cultural relevance of health services in indigenous territories. Strengthening indigenous medicine. Improving access to intercultural health services and strengthening their resolvable capacity. | <ol style="list-style-type: none"> Replicable intercultural models and protocols for health care and management have been developed and validated. 12,500 officials trained. <ul style="list-style-type: none"> 30% increase in indigenous user satisfaction levels. 30% annual increase in use of participating services and facilities. Healthcare improved in 80% of facilities (through incorporation of intercultural care elements). 1,000 officials trained to understand indigenous language and culture. Induction program prepared. Proposed intercultural curriculum prepared. Twenty projects submitted, approved and executed; territorial meetings held. Up to 300 intercultural adaptation projects approved and executed. <ul style="list-style-type: none"> Service improved for 50% of the population in 44 priority municipalities. | <ol style="list-style-type: none"> Documentation and validation of models User satisfaction surveys <ul style="list-style-type: none"> Service utilization records. Documentation on proposals Documentation on projects Project reports and documentation <ul style="list-style-type: none"> Service utilization surveys | <p>The Ministry of Health its intercultural health experiments are success</p> <p>Management and service personnel in indigenous facilities are supporting</p> <p>Culture-related proposals based on existing exper</p> <p>Indigenous practitioners communities are interested preparing and submitting for their own strength</p> <p>Indigenous people and practitioners generate projects.</p> |

PROPOSED RESOLUTION

**CHILE. LOAN /OC-CH TO THE REPUBLICA DE CHILE
MULTIPHASE PROGRAM FOR THE COMPREHENSIVE DEVELOPMENT OF
INDIGENOUS COMMUNITIES (FIRST PHASE)**

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 República de Chile, as Borrower, for the purpose of granting it a financing to cooperate in the execution of a Multiphase Program for the Comprehensive Development of Indigenous Communities (First Phase). Such financing will be for the amount of up to thirty four million eight hundred thousand dollars of the United States of America (US\$34,800,000), which are part of the Single Currency Facility of the Ordinary Capital resources of the Bank, and will be subject to the "Special Contractual Conditions" and the "Financial Terms and Conditions" of the Executive Summary of the Loan Proposal.