

TC ABSTRACT

I. Basic Project Data

▪ Country/Region:	BOLIVIA/CAN - Andean Group
▪ TC Name:	Expanding Opportunities for Development and Economic Growth in Communities of Influence of the Mining Sector
▪ TC Number:	BO-T1330
▪ Team Leader/Members:	WALTER, MARTIN (INE/CCH) Team Leader; NUNES DA CUNHA, NATASCHA (INE/INE) Alternate Team Leader; HARATSU, MISA (INE/ENE); BALLON LOPEZ, SERGIO ENRIQUE (INE/ENE); NEGRET GARRIDO, CESAR ANDRES (LEG/SGO); BONIFAZ URQUIZU, JEANETTE (INE/ENE); ARAMAYO CHAVEZ, CARLOS ALBERTO (INE/ENE); CATALANO, FERNANDO DAVID; SUAZNABAR, CLAUDIA (IFD/CTI)
▪ Taxonomy:	Client Support
▪ Number and name of operation supported by the TC:	N/A
▪ Date of TC Abstract:	09 Nov 2018
▪ Beneficiary:	Plurinational State of Bolivia
▪ Executing Agency:	FUNDACION PARA EL DESARROLLO SOSTENIBLE
▪ IDB funding requested:	US\$1,350,000.00
▪ Local counterpart funding:	US\$150,000.00 (In Kind)
▪ Disbursement period:	36 months
▪ Types of consultants:	Individuals; Firms
▪ Prepared by Unit:	Infrastructure and Energy Sector
▪ Unit of Disbursement Responsibility:	Infrastructure and Energy Sector
▪ TC included in Country Strategy (y/n):	Yes
▪ TC included in CPD (y/n):	No
▪ Alignment to the Update to the Institutional Strategy 2010-2020:	Social inclusion and equality ; Productivity and innovation ; Gender equality

II. Objective and Justification

- 2.1 The objective of this technical cooperation is to increase opportunities and socioeconomic benefits and reduce poverty for communities in areas of influence of mining activity, especially the communities of San Cristóbal, Culpina K, Vila Vila and Río Grande, located in the municipality of Colcha K, Province of Nor Lítez, Department of Potosí, Bolivia. The aim is to promote a sustainable and self-managed local economic development model with participation from different economic sectors, promoted by local actors.
- 2.2 Specifically, the program will help maximize access to the labor market and local goods and services through a sustainable intervention that builds capacity in local, public and private actors. It will be carried out through the (i) development of a strategy of sustainable development of the local business ecosystem, in the light of an analysis of gaps and opportunities and the participation of local actors; and (ii) direct and indirect support to local companies, associations, and government entities, combining "on-site" and group technical assistance and the establishment of mechanisms to improve access to operating and investment capital.
- 2.3 Bolivia is a country rich in natural resources. Mining has historically been a key sector for the Bolivian economy, and it is expected that it will continue to play a fundamental

role for the development of the country. Despite the achievements, the levels of poverty in some regions of the country are still high. In particular, the Department of Potosí is one of the poorest in the country (33.7% of its inhabitants are poor, INE 2017). Potosí is, however, the main source of national tax revenues for the development of mining resources. It hosts the largest mining investment project in Bolivia (\$ 1800 million dollars) and one of the largest zinc, lead and silver mines in the world: the San Cristóbal mine, operated by Minera San Cristóbal S.A. (MSC, local subsidiary of the Japanese company Sumitomo Corp.).

- 2.4 The multiplier effects associated with mining activity in Potosí have historically been limited. For this reason, MSC has established as part of a corporate social responsibility strategy the execution of projects aimed at improving the quality of life of local communities. It has focused on optimizing agricultural and tourism activities and the promotion and development of micro and small enterprises in its area of influence: the communities of San Cristobal de Kolcha "K", Culpina K, Vila Vila and Rio Grande, located in the Province of Nor Lípez (Municipality of Colcha K, Department of Potosí).
- 2.5 The strengthening of the local business ecosystem is urgent in consideration of the projected date for the partial closure of the main mining operations in San Cristobal, estimated at 2024-2025. The mine's slowdown will result in a contraction of the economic activity and a deceleration of demand in its area of influence. In this context, the strengthening of the capacities of young people, women and other vulnerable segments of the population, is fundamental to reduce poverty and generate resilience in the local business ecosystem, which contributes to the economic, sociocultural and environmental sustainability of the region. Through improvements in the productivity and efficiency of small-scale economic activities and the promotion of micro-enterprises it is possible to implement projects and initiatives aimed at increasing the generation of jobs and income and thus promoting the local economic development of a region directly and indirectly associated to mining activity.

III. Description of Activities and Outputs

- 3.1 Component I - Analysis of local economic activities and design of a strategy for the development of a sustainable business ecosystem. - The objective of the component is to collect socioeconomic and productive information of the region to co-design a strategy to promote sustainable economic development with local actors. The following activities will be carried out:
 - 1.1. Diagnosis of situation and opportunities for sustainable socio-economic development
 - 1.2. Design and validation of the integral strategy for the construction of a sustainable business ecosystem
- 3.2 Component II - Implementation of the strategy for the development of the local sustainable business ecosystem. - The objective of the component is to strengthen local business. To this end, the following activities will be carried out, guided by the strategy developed in Component I:
 - 2.1. Direct technical support to local companies and associations
 - 2.2. Support for improved access to markets for local products and services
 - 2.3. Capacity building, support and follow-up to public-private organizations
 - 2.4. Scoping new instruments to support local enterprises and SMEs (and pilot implementation).
- 3.3 Component III: Knowledge management and sustainability plan. - The objective of this component is to systematize, document, disseminate the experience and knowledge generated in the program to contribute to the replication of actions in other communities that harbor mining activity, as well as to develop a sustainability plan from the beginning of the intervention with a view to leveraging existing processes and initiatives. The following activities will be carried out:

- 3.1. Strategic communication and knowledge management products
- 3.2. Knowledge products
- 3.3. Monitoring and Follow-up
- 3.4 Component IV: General coordination, supervision, external audit and evaluation. This component covers all activities related to the administration of the project, including the hiring of a general coordinator, external audit services and technical evaluation. It also includes the costs of support to the accounting administration, purchase of materials and minor miscellaneous expenses.
- 3.5 **Component I: Component I - Analysis of local economic activities and design of a strategy for the development of a sustainable business ecosystem.** . The objective of the component is to collect socioeconomic and productive information of the region to co-design a strategy to promote sustainable economic development with local actors.
- 3.6 **Component II: Component II. - Implementation of the strategy for the development of a sustainable local business ecosystem..** The objective of the component is to strengthen local business, with a view to expand economic opportunities for women, youth, and vulnerable segments of the population.
- 3.7 **Component III: Component III: Knowledge management and sustainability plan..**
- The objective of this component is to systematize, document, disseminate the experience and knowledge generated in the program to contribute to the replication of actions in other communities that harbor mining activity, as well as to develop a sustainability plan from the beginning of the intervention with a view to leveraging existing processes and initiatives
- 3.8 **Component IV: Component IV: General coordination, supervision, external audit and evaluation..** This component covers all activities related to the administration of the project, including the hiring of a general coordinator, external audit services and technical evaluation. It also includes the costs of support to the accounting administration, purchase of materials and minor miscellaneous expenses.
- 3.9 **Component V: Contingencies.** This component will support incidental expenses (possible but cannot be predicted with certainty) to ensure project execution

IV. Budget

Indicative Budget

Activity/Component	IDB/Fund Funding	Counterpart Funding	Total Funding
Component I - Analysis of local economic activities and design of a strategy for the development of a sustainable business ecosystem.	US\$87,000.00	US\$0.00	US\$87,000.00
Component II. - Implementation of the strategy for the development of a sustainable local business ecosystem.	US\$873,000.00	US\$0.00	US\$873,000.00
Component III: Knowledge management and sustainability plan.	US\$73,500.00	US\$0.00	US\$73,500.00
Component IV: General coordination, supervision, external audit and evaluation.	US\$249,000.00	US\$150,000.00	US\$399,000.00

Contingencies	US\$67,500.00	US\$0.00	US\$67,500.00
Total	US\$1,350,000.00	US\$150,000.00	US\$1,500,000.00

V. Executing Agency and Execution Structure

- 5.1 This technical cooperation will be executed by the Fundación para el Desarrollo Sostenible FUNDES Bolivia, a non-profit foundation, registered in the country. FUNDES has a team of specialists in technical and financial management as project technician and will be responsible for the administration of resources, the design and development of the project strategy, as well as its effective implementation to achieve committed results. FUNDES will have a multidisciplinary team of external specialist consultants who, based on the needs and requirements of the project, will carry out various activities such as the development of diagnostics, studies, technical assistance, training, identification of markets, commercial links, associative processes among several other topics.
- 5.2 FUNDES Bolivia specializes in the execution of projects linked to the development of MSMEs. It is recognized by the MIPYMES sector, private sector and cooperation agencies that work to boost the competitiveness of Bolivian entrepreneurship. FUNDES has a presence in 12 Latin American countries and 34 years of experience in the development of the business sector. Since its founding in 1984, it has supported more than 450,000 MSMEs. It supports companies to transform, connect and strengthen the links of their value chain. The Mission of FUNDES is to build competitive and inclusive economies and create paths out of poverty for thousands of people in the region. To achieve this, it partners with governments and development organizations to build competitive and sustainable business ecosystems. It also works with large corporations to transform and connect the links of its value chain where MIPYMES is involved and in such a way to generate efficiency, profitability and sustainability throughout its value chain.
- 5.3 Over the past few years, FUNDES has developed extensive experience working in the extractive sector, developing small suppliers and strengthening local business ecosystems, among which:
- Implementation of a development program with the Cerrejón mining company in Colombia, which allowed the identification of productive projects and / or enterprises for 166 families in 5 communities, as well as the start-up of 132 productive units that generated around 100 jobs and achieved around COP2,200 million in sales, revenues that before the intervention did not perceive the beneficiary communities. The program began in 2012 and ended in 2016, through a seed capital investment of COP \$ 958,296,187.
 - Conducting a sustainable business ecosystem workshop for Geopark and its local suppliers in the municipalities of Villanueva and Tauramena, located in the department of Casanare in Colombia. These workshops aimed to identify future sources of economic development, raising awareness among the communities regarding the future dismantling of Geopark operations in the area. The workshop was a space for dialogue between institutional actors, the company and its suppliers, and resulted in the acquisition of valuable inputs to develop and integrate local Geopark suppliers in other industries and value chains in the future.
 - Conducting a value chain workshop for Anglo American and its local suppliers in Chile, which aimed to identify the areas with the greatest potential to increase local content quotas in the Anglo American value chain. The FUNDES consultants applied their local content methodology in a one and a half day workshop with the company's purchasing and logistics managers, to identify the activities of the value chain in which local MSMEs could be integrated, achieving a positive business impact without generating high risks.

- In Mexico, we implemented a supplier development program for Grupo Diavaz, and strengthened the operative and management skills of the suppliers of its value chain. This program now aligns MIPYMES towards the implementation of the SASISOPA management system.

VI. Project Risks and Issues

- 6.1 (i) Weakness of the local productive ecosystem. In order to mitigate this risk, the project will support the design and implementation of a comprehensive strategy to strengthen the local business ecosystem with a participatory, cross-sector, and multilevel approach.
- (ii) Lack of coordination and willingness to dialogue between different stakeholders is possible. To avoid this, public and private organizations will be strengthened with a view to generating installed capacity and greater coordination with existing initiatives.
- (iii) Weakness of local business ecosystem. This risk will be addressed at the design stage of the project strategy through the analysis of all economic sectors in the region, ensuring the participation of the business ecosystem as a whole.
- (iv) High dependence of the communities from the mining company. The project will focus on identifying and supporting opportunities for the diversification of the economic activity of companies, enterprises and associations, encouraging their innovation, articulating them with other industries and orienting them to the market in function to its productive vocation.

VII. Environmental and Social Classification

- 7.1 The ESG classification for this operation is "C".