

DOCUMENT OF THE INTER-AMERICAN DEVELOPMENT BANK

**BOLIVIA**

**SUPPORT FOR THE  
SOCIAL SAFETY NET AND INTEGRAL COMMUNITY DEVELOPMENT PROGRAM:  
COMUNIDADES EN ACCIÓN AND COMUNIDADES RECÍPROCAS**

**(BO-L1012)**

**LOAN PROPOSAL**

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Electronic Links and References	
Basic socioeconomic data	<a href="http://www.iadb.org/RES/index.cfm?fuseaction=externallinks.countrydata">http://www.iadb.org/RES/index.cfm?fuseaction=externallinks.countrydata</a>
Status of loans in execution and loans approved	<a href="http://ops/approvals/pdfs/BOen.pdf">http://ops/approvals/pdfs/BOen.pdf</a>
Information available in the RE1/SO1 technical files	<a href="http://idbdocs.iadb.org/wsdocs/getDocument.aspx?DOCNUM=#843420">http://idbdocs.iadb.org/wsdocs/getDocument.aspx?DOCNUM=#843420</a>
Procurement plan / Means of verification	<a href="http://idbdocs.iadb.org/WSDocs/getDocument.aspx?DOCNUM=857947">http://idbdocs.iadb.org/WSDocs/getDocument.aspx?DOCNUM=857947</a>

## **ABBREVIATIONS**

DGP	General Directorate of Planning
FIVIMS	Food Insecurity Vulnerability Mapping System
FSO	Fund for Special Operations
HIPC	Heavily Indebted Poor Countries Initiative
INE	National Statistics Institute
MPD	Ministry of Development Planning
NGO	Nongovernmental organization
OR	Operating Regulations
PEC	Project Execution Committee
PND	National Development Plan
PROPEF	Project Preparation and Execution Facility
PSDIC	Social Protection and Integral Community Development
PEU	Program executing unit

## PROGRAM SUMMARY

### BOLIVIA SUPPORT FOR THE SOCIAL SAFETY NET AND INTEGRAL COMMUNITY DEVELOPMENT PROGRAM: COMUNIDADES EN ACCIÓN AND COMUNIDADES RECÍPROCAS (BO-L1012)

Financial Terms and Conditions <sup>1</sup>				
Borrower: Republic of Bolivia Guarantor: Republic of Bolivia Executing agency: Ministry of Development Planning			Amortization period:	40 years
			Grace period:	10 years
			Disbursement period:	36 months
Source	Amount	%	Interest rate:	Variable
IDB (FSO)	US\$10,000,000	94.7	Inspection and supervision fee:	1%
Local	US\$ 558,000	5.3	Credit fee:	0.5%
Total	US\$10,558,000	100	Currency:	U.S. dollars from the Single Currency Facility
Program at a Glance				
<b>Program objective:</b> This program seeks to improve living standards for the extremely poor in three rural regions and one urban district of Bolivia by strengthening their community-based organization capacity and creating an environment, through an integral, participatory and self-managed process, that will ensure access to greater opportunities and capacities for individual and community development.  The specific objectives of this operation are: (i) to develop and test new intervention models designed to strengthen the self-management capacity of rural and urban communities in identifying, prioritizing, executing and monitoring projects for social protection and integral community development; and (ii) to develop the institutional framework needed for implementing social protection and integral community development policies.  <b>Special contractual conditions:</b> See paragraphs 3.3, 3.7, 3.9 and 3.13. Establishment of the program executing unit and board of directors, and appointment of the coordinators and technical team responsible for program execution; establishment of the regional offices and appointment of the regional technical team; entry into force of the program OR and the respective annexes, following models previously agreed with the Bank; and submission of the model agreements to be signed with communities, civil society organizations, NGOs or municipios, for the Bank's no objection.  <b>Exceptions to Bank policies:</b> None.				
Project consistent with country strategy:    Yes [X]                      No [ ]				
Project qualifies as:                              SEQ [ ]                      PTI [X]                      Sector [X]                      Geographic [X]                      Headcount [X]				
Procurement: See paragraphs 3.26 to 3.32.				
Verified by CESI on: 10 November 2006.				

<sup>1</sup> The interest rate, credit fee, and inspection and supervision fee mentioned in this document are established pursuant to document FN-568-3 Rev. and may be changed by the Board of Executive Directors, taking into account the available background information, as well as the respective Finance Department recommendations. In no case will the credit fee exceed 0.75%, or the inspection and supervision fee exceed 1% of the loan amount.\*

\* With regard to the inspection and supervision fee, in no case will the charge exceed, in a given six-month period, the amount that would result from applying 1% to the loan amount divided by the number of six-month periods included in the original disbursement period.

## I. FRAME OF REFERENCE

### A. Macroeconomic and sector framework

- 1.1 **The economic context.** Bolivia's macroeconomic indicators have been performing favorably in 2006. GDP is expected to grow by more than 4.1% for the year, inflation is moderate (at just over 4%), and the country is running a large surplus in its current account and its overall balance of payments. At the same time, the exchange rate has remained stable, as have domestic interest rates. It is expected that exports for the year could exceed the US\$3.3 billion, driven primarily by sales in the mining and hydrocarbons sector. Longer-term risks to economic stability persist, however, including the possibility of a decline in currently favorable international prices for the country's raw material exports.
- 1.2 Favorable external conditions and the changes made to the taxation system, primarily in the hydrocarbons sector, together with tardy implementation of the investment budget, have considerably strengthened the fiscal situation, and there is likely to be a surplus in the consolidated public-sector accounts for this year. However, growing pressures on expenditure in the context of fiscal decentralization, institutional weaknesses and problems in public management, the weakness of the productive structure, a high degree of informality in the economy, the still-high level of dollarization in the financial system, and the uncertainty and additional costs that the eroding business climate implies for investment and employment generation constitute the main challenges in this field.
- 1.3 **The social context.** Socioeconomic inequalities persist in Bolivia, and they are a contributing factor in undermining the country's political and institutional stability. Although the social indicators have shown some improvement in recent decades, poverty remains high: 67.30% of the population lives below the moderate poverty line, and 39.6% lives in extreme poverty.<sup>1</sup> Moreover, the major indicators for health and education in Bolivia are still below the averages for the region. The illiteracy rate among persons over 15 years of age has dropped significantly over the past decade, but it remains high, at 13.28% compared to the regional average of 9.8%,<sup>2</sup> and reveals a significant gender gap: while the male illiteracy rate is 6.94%, the female rate is 19.35%. At the same time, infant mortality stands at 54 deaths per 1000 live births,<sup>3</sup> while the average for Latin America is 19.8.<sup>4</sup>
- 1.4 **The ethnic context.** Of Bolivia's nearly 8.3 million inhabitants,<sup>5</sup> 4.6 million belong to indigenous peoples, 85% of whom are Quechua (2.3 million) and Aymara (1.3 million). The Quechua live primarily in the departments of Cochabamba,

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<sup>1</sup> INE, 2003, based on the 2001 Demographic Census.

<sup>2</sup> UNESCO Statistics Institute 2001.

<sup>3</sup> INE, National Demographic and Health Survey 2003.

<sup>4</sup> PAHO Health Situation in the Americas: Basic Indicators 2005.

<sup>5</sup> National Statistics Institute (INE), based on the 2001 National Population and Housing Census.

Potosí, Chusquisaca, Tarija and La Paz, while the Aymara inhabit the Bolivian Altiplano, comprising portions of the departments of La Paz, Oruro and Potosí. Their principal livelihoods are farming, livestock and crafts and, in the case of the Aymara, mining as well. The remaining indigenous peoples belong to the Guarani and Chiquitano ethnic groups and live in Amazonia and the Bolivian Chaco. In addition to constituting the majority of the population, these indigenous peoples also constitute the bulk of the country's poor people. According to recent data,<sup>6</sup> more than half of Bolivia's total population is poor, but around three-quarters of its indigenous people are poor. As well, between 1997 and 2002, poverty rates have declined less for indigenous people than for the non-indigenous, dropping from 75% to 74% for the first group, and from 57% to 53% for the second. Being indigenous in Bolivia increases the probability of being poor by 13%, of working in agriculture by 19%, and of being unemployed by 18%. Indigenous women have a 74.5% probability of being poor, compared with 50.8% for non-indigenous women. Moreover, each additional year of schooling reduces the likelihood of poverty by 3%.<sup>7</sup>

- 1.5 **The political context.** During the 1990s, the indigenous population grew in absolute terms, and it gained increasing political clout. This could clearly be seen in the outcome of the 2002 elections, where indigenous political movements won a majority in Parliament, and again in 2005, when they won resounding victories in the presidential and parliamentary elections. The new government is pursuing a political, economic and social program quite distinct from that of the past decade, based on more active indigenous participation in both rural and urban areas, and greater State intervention in the economy.
- 1.6 In this setting, the main challenges for the government's program are to reduce the significant gaps in access to education, health, food security and other basic services. These gaps mirror differences in social and ethnic status, gender, and geographic location, and they translate into differences in levels of poverty and human development. The government therefore considers it essential to weave peoples, communities and regions into a new State fabric, and to move towards a social-multicultural-communitarian State.

## **B. The country's sector strategy**

- 1.7 The government of Bolivia has prepared a National Development Plan (PND), entitled *Bolivia Digna, Soberana, Productiva y Democrática para Vivir Bien* ("A Dignified, Sovereign, Productive and Democratic Bolivia for Living Well"), intended to construct a diversified and multi-ethnic model of society, the economy, and the State, and a paradigm that will retain the best from communitarian practice and project it into the future. This plan also establishes guidelines, challenges and

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<sup>6</sup> World Bank, 2005.

<sup>7</sup> Indigenous People, Poverty and Human Development and Latin America, Edited by Gillette May and Harry Anthony Patrinos

- economic, social and cultural targets for the country. These include a strong emphasis on rescuing the cultural traditions of Bolivia's indigenous peoples; a development model that will eradicate poverty and exclusion; narrowing the equity gap; and reducing the factors for risk and vulnerability among its people. The new model is based on efforts to restore people's integral capacities (economic and productive, social, political, cultural, environmental and infrastructure) through their communitarian potential.
- 1.8 The *Bolivia Digna* component of the PND proposes to eradicate poverty and all forms of exclusion, discrimination, marginalization and exploitation, not only by providing social services but, more importantly, by generating culturally relevant economic action. The *Bolivia Soberana* component refers to the State's ability to take its own independent decisions in light of its own needs, outlooks and identities for the country. *Bolivia Productiva* is intended to produce a new pattern of development that will mean a shift from the primary-product export model towards a productive matrix based on processing natural resources so that the resulting economic surplus can be invested in the country. Finally, *Bolivia Democrática* proposes the construction of a multi-ethnic and communitarian State with broad social and democratic participation.
  - 1.9 One of the key elements of the PND is its recognition that the resources invested in Bolivia in recent years, both by the government and through international cooperation, have not achieved the expected impact in reversing the situation of structural poverty and social exclusion. This is explained by several factors: (i) the limited progress with participatory planning at the municipal level for providing comprehensive answers to the problems of extreme poverty; (ii) the lack of coordination and articulation between sectors and institutions in the context of multiple and diverse stakeholders; and (iii) institutional weaknesses in the public sector for planning, coordinating and executing social interventions in a sustainable manner, and in particular the limitations of the municipios in making use of funds under the Heavily Indebted Poor Countries (HIPC) Initiative.
  - 1.10 In this context, the Policy for Social Protection and Integral Community Development (PSDIC) is designed to articulate the four dimensions of the PND and put them into practice through a community-based model. The objectives of the PSDIC are to eradicate the structural causes of extreme poverty, to reduce social inequities, to eliminate all forms of exclusion, and to reduce the factors of risk, uncertainty and vulnerability for individuals. To achieve these goals, the policy calls for mobilizing all the capacities of the extremely poor and vulnerable population in order to eradicate extreme poverty, and to optimize and increase the funds available through grants, loans, external debt relief and public investment for eradicating extreme poverty. In this way, the foundation will be laid for moving towards "bottom-up" consolidation, with a community-oriented perspective that will strengthen society and the State alike.
  - 1.11 The government has decided to implement this policy by means of three strategies: (i) a rural intervention strategy, known as *Comunidades en Acción* ("Communities

in Action”), based on mobilizing values, capacities, autonomous decisions and mechanisms of community reciprocity, administration and self-management for eradicating extreme poverty; (ii) the strategy for intervention in extremely poor areas in the country’s most densely populated cities, called *Comunidades Recíprocas* (“Reciprocal Communities”), that treats the eradication of poverty as part of an effort based on reciprocity between the State and urban communities, between urban and rural communities, and within the population living in the cities; and (iii) the intervention strategy targeted at the highest-risk groups, such as persons with disabilities, the elderly poor, child workers, urban indigents and rural migrants living in extreme poverty, and indigenous groups with high physical, linguistic, cultural and economic vulnerability, known as *Comunidades Solidarias* (“Communities in Solidarity”), because reducing the factors of risk and vulnerability among these groups demands solidarity on the part of the State itself and the entire Bolivian population.

- 1.12 Actions are currently underway to implement these three strategies within the framework of the PSDIC policy. To address people at high risk, the *Comunidades Solidarias* strategy began with promulgation of Supreme Decree 28899 of 26 October 2006, which provides a bonus, in cash or in kind, worth 200 bolivars a year, nick-named “Juancito Pinto,” for pupils enrolled in the country’s public secondary schools, as an incentive for them to remain in school. This approach combines the transfer of funds to communities with support for individuals at greatest risk, in order to achieve a greater impact from social protection.
- 1.13 This strategy fits with and complements the *Comunidades en Acción* and *Comunidades Recíprocas* strategies, for which the Government of Bolivia has requested Bank support through an innovation loan that would finance pilot projects for its new intervention model and, based on their outcome, could allow the strategies to be expanded in the future (see paragraph 1.21).
- 1.14 To institutionalize this model, the government plans to create an entity responsible for implementing the PSDIC, under the Ministry of Development Planning (MPD).<sup>8</sup> The proposed operation would also support the organizational design, establishment and startup of that entity. The government has the firm intention to give this institutional mechanism the lead role in the PSDIC policy, which will mean instituting a mechanism for cross-sector linkages (ministries) and cross-agency coordination between the different levels of public administration (prefectures, municipios, and community organizations). This mechanism will direct implementation of the PSDIC policy, starting at the strategic levels, where consensus will be established for ensuring articulation and complementarity of this policy with individual ministry policies and programs, and moving on to the operational levels of subnational coordination (regional, municipal and community). The clear intention is to rationalize interventions and resources so as

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<sup>8</sup> Within the current administration, the MPD fulfills the functions of the Cabinet Secretariat, and as such is responsible for directing, coordinating and articulating the work of all ministries in implementing the PND.

to achieve a greater impact on the quality of life for people living in poverty, and in this way supplement efforts and avoid duplicating or replacing line-ministry activities.

**C. The Bank's country and sector strategies**

- 1.15 The Bank's Country Strategy with Bolivia for 2004-2007 has as its general objective to support the country in its efforts to reduce poverty in a sustainable manner. Its medium-term objectives are, specifically, to promote: (i) sustainable growth of the economy and production; and (ii) development of a minimum level of core services for all Bolivians. The Bank will therefore focus its efforts in the social area on improving efficiency and equity in the delivery of social services, with the emphasis on (i) coordinating actions in education, health and sanitation in order to improve their coverage, quality and cultural relevance; (ii) the establishment of social safety nets; and (iii) attention to urban development needs, in particular for the poorest segments.
- 1.16 The Bank's strategy for reducing poverty and promoting social equity places priority on: (i) support for *comprehensive poverty reduction strategies*, by promoting consistency and coordination among interventions; (ii) creating economic opportunities for the poor, by including them in productive activities; and (iii) supporting initiatives to promote human development, social capital, the prevention of social problems, and social inclusion for the poor. As well, the indigenous development strategy sets priorities for Bank action, including: (i) promoting governance by strengthening integrated community development projects; (ii) improving the accessibility and quality of social services; and (iii) creating new opportunities for economic development for indigenous men and women, capitalizing in particular on communities' resources and comparative advantages.
- 1.17 The proposed program is consistent with these strategies, in that it will help (i) to strengthen community capacities for organization and management, (ii) implement a cross-sector and cross-agency strategy to improve the efficiency, accessibility and cultural relevance of social services for poor communities, and (iii) to promote economic opportunities for including the poorest groups in productive activity.

**D. Lessons learned from Bank experience in the sector**

- 1.18 The Bank has long experience in financing social and economic infrastructure projects in Bolivia, dating back to the first Social Investment Fund (FIS) approved in 1995. Experience with Bank-supported social investment funds in various countries of the region,<sup>9</sup> and the experiences of other financial institutions and donors with similar projects in the country, suggest the following lessons that are pertinent to this operation:

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<sup>9</sup> Note on Social Investment Funds: The IDB experience and proposed guidelines for future support, June 2002 (document prepared by a technical working group coordinated by the Office of the Executive Vice President (EVP) of the Bank).

- a. *Community self-management.* The FIS operations have evolved as an intervention model from a concept that financed projects identified and developed by contracting firms to a model in which the community takes the lead in identifying, prioritizing, designing and executing them. This has improved the intervention model with actions to strengthen human and social capital in beneficiary communities. Thus in 2004, as part of the redirecting of portfolio resources (loan 1075/SF-BO), the Bank approved the Program to Fight Poverty and Support Solidarity Investment (PROP AIS), which finances community projects for social infrastructure in municipios with more than 5000 inhabitants. These projects, identified and supervised by the communities themselves with the support of oversight agencies, have confirmed that community self-management for implementing projects of this kind can succeed, because it instills in the community a sense of ownership over the works and a commitment to their sustainability. These principles have been taken into account in designing the proposed program, and will serve as the basis for its execution.
- b. *Production chains.* To ensure the viability and sustainability of productive projects, the investments must provide for the articulation of a series of processes, from production to marketing, and they must be based on previously identified market demand. This aspect is one of the technical, economic and social prerequisites for any project to be eligible for financing, and will be included in the Operating Regulations for this operation (see paragraphs 3.11 to 3.18).
- c. *Nonreimbursable transfers.* Recognizing the implicit risk of discretionary bias in the allocation of any nonreimbursable transfer, transparent and objective requirements and procedures must be established for the eligibility and evaluation of projects to be financed by the program.
- d. *Execution mechanism.* This program is intended to finance community projects that typically involve modest numbers of small-scale works, and it will therefore require a flexible and transparent execution mechanism. The design of this mechanism is based on Bank experience with community projects, through the establishment of project execution units in the communities. This approach has not only demonstrated its operational effectiveness but has also strengthened community mechanisms of social oversight and has fostered a sense of community ownership of projects, which in turn is an important element in assuring their sustainability.

#### **E. Coordination with other donors**

- 1.19 This operation will support the government in developing and implementing its integral model for intervention in poor rural and urban communities. The current configuration of the country's executive branch gives the MPD, the author of the PND, the responsibility for promoting coordination and articulation of activities among the different levels of government and with international cooperation, so as

to achieve the plan's poverty reduction goals. The model to be implemented by this program will incorporate a mechanism for cross-sector and cross-agency linkages and coordination of planning by the national government (ministries, prefectures and municipios), communities (farmers' unions, grassroots community organizations) and cooperation agencies (NGOs, bilateral and multilateral institutions), and will schedule the many interventions so as to achieve greater impact in the development of those communities. Of the various possible mechanisms, the most important is the process of participatory planning at the community level, which will produce a map for identifying community needs and shortages and the available resources and sectoral, provincial, municipal, and external programs for purposes of establishing integral strategies that will respond to these needs, and achieve complementarity among the different interventions.

**F. The program strategy**

- 1.20 To support the PND in giving operational effect to the PSDIC policy, the program proposes a new intervention model that will be tested through pilot projects in selected communities. The new model, conceived by the Government of Bolivia, is designed to strengthen the self-management capacity of rural and urban communities in identifying, prioritizing, executing and monitoring integral community development projects based on community mobilization and participation in defining and managing the interventions that benefit them. The program will transfer funds to the communities for financing productive, social and environmental investments in return for a community commitment to targets for improving human development indicators. From the institutional viewpoint, the program will encourage cross-sector and cross-agency coordination and complementarity in integral interventions for social protection and community development that respond to the specific cultural characteristics of the beneficiary communities, consistent with the institutional structure and coordination mechanism described in paragraph 1.19.

**G. Rationale for using the innovation loan modality**

- 1.21 The loan modality used will allow for the testing of this new intervention model, which presents the following innovative features: (i) mobilizing community capacities for self-management (organization and values) in identifying, prioritizing, planning and implementing projects for integral community development; (ii) transfers of funds to the communities for financing those projects, conditional upon a community commitment to improving human development indicators<sup>10</sup> as they pertain to the specific situation of each community; and (iii) generating a management model that will promote cross-sector and cross-agency coordination between government entities, communities, civil society, and international cooperation, in the regional, subregional and municipal dimensions.

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<sup>10</sup> These indicators will be agreed upon in advance with the community in relation to the key development issues identified in each of the program target locations.

## **II. THE PROGRAM**

### **A. Objectives**

- 2.1 This program seeks to improve living standards for the extremely poor in three rural regions and one urban district of Bolivia by strengthening their community-based organization capacity and creating an environment, through an integral, participatory and self-managed process, that will ensure access to greater opportunities and capacities for individual and community development.
- 2.2 The specific objectives of this operation are: (i) to develop and test new intervention models designed to strengthen the self-management capacity of rural and urban communities in identifying, prioritizing, executing and monitoring projects for social protection and integral community development; and (ii) to develop the institutional framework needed for implementing social protection and integral community development policies.
- 2.3 This operation will finance institutional development and the preparation and execution of productive projects relating to social and productive infrastructure, environmental improvement, and the strengthening of human capacities and community self-management. These projects will be identified and prioritized through a participatory community process, where funds transfers will be self-conditioned upon the community's counterpart efforts on the health, education and/or food security fronts.
- 2.4 These investments will be made in rural communities of the departments of Cochabamba, Chuquisaca, and Potosí, and in an urban district of the City of El Alto, selected on the basis of the following criteria: (i) these departments are home to the most vulnerable municipios (categories 4 and 5) and some 90% of the population living in extreme poverty, according to the Food Insecurity Vulnerability Mapping System (FIVIMS) and the Poverty Map of Bolivia; and (ii) they are incorporated legal entities. These criteria were used to select and rank some 2,200 communities located in the country's 31 poorest municipios (see paragraphs 3.21 to 3.23).
- 2.5 The term "self-conditioned," for purposes of this program, means that the communities, as part of the participatory planning process, will commit themselves to achieving improvements, over an agreed period, in one or more social indicators selected from a prioritized series of such indicators. The baseline for the indicators will be determined at the outset of the operation, for each beneficiary community. The program will measure the following indicators:
  - Number of students enrolled (male and female)
  - School attendance rate
  - Primary school dropout rate
  - Illiteracy rate, by sex
  - Prevalence of malnutrition among children under six years, by sex
  - Prevalence of malnutrition among children of school age (6-14 years), by sex

- Number of children who have received the full vaccination scheme
- Health checkups for infants in the first year of life
- Prenatal checkups for pregnant women
- Increase in community incomes from productive projects
- Increase in community output from productive projects

## **B. Description**

- 2.6 To achieve these objectives, the program has been structured in three components: (i) institutional development; (ii) investments for integral community development; and (iii) program monitoring and evaluation.

### **1. Component 1. Institutional development (US\$170,000)**

- 2.7 This component will support the MPD in: (i) developing and consolidating a new institutional framework for the policy of social protection and integral community development; (ii) developing the methodology and instruments for cross-sector and cross-agency community mobilization and coordination; and (iii) developing intervention procedures and operating tools compatible with the proposed model. Specifically, the program will finance the contracting of consultants and the holding of consultation workshops at the different ministerial and administrative levels, in order to foster the consensus needed to move forward with the proposed new framework. It will also finance a “social policies observatory” to promote conceptual, methodological and operational analysis with a view to reinforcing learning, and supporting and adapting the Bolivian PSDIC model at the national and international level.

### **2. Component 2. Investments for integral community development (US\$8,815,000)**

- 2.8 This component comprises two subcomponents:

#### **a. “*Comunidades en Acción*” subcomponent**

- 2.9 This subcomponent will finance pilot programs for integral community development with transfers self-conditioned upon meeting indicator targets for health, education and/or food security and/or community productivity in priority rural communities. These specific, integrated pilot projects will be limited to the following options: (i) productive projects; (ii) social and economic infrastructure; (iii) environmental improvement; (iv) strengthening of community self-management capacities with cultural and territorial identity, and (v) initiatives for cross-sector coordination and complementarity for improving social and economic conditions in these communities. Regional, subregional and community projects will be eligible for financing under this component.

- 2.10 The regional and subregional projects will finance:

- a. Productive initiatives: design, training, technical assistance and marketing strategies for productive clusters; development, systematization and dissemination of innovations applied to productive clusters; production and

processing of farm and livestock products (large and small animals), forest products (timber and non-timber), herbal products, and the products of beekeeping, fish farming, and flower growing; cultural- and craft-based textile clusters; and the development of community tourism facilities.

- b. Infrastructure, social and productive facilities: refurbishment, improvement, expansion and outfitting of schools and health posts; housing improvements; construction and outfitting of handicraft centers; construction and equipment of community tourism infrastructure; construction and improvement of local roads; and construction of small bridges and culverts.
- c. Environmental improvement: support for biological pest control; increasing soil fertility; restoration of lakes, wetlands and landscapes; restoration of fields and terracing; forestation and reforestation; restoration of ancestral systems and forms of irrigation; community action for biodiversity conservation; management and administration systems for water, watersheds and decontamination; recovery of native species and biodiversity; development of environmentally sound farming and livestock practices; and conservation of water sources.
- d. Strengthening community self-management practices: training for community leaders, technicians and facilitators in community planning and management practices, community project monitoring, and workshops for community members in dispute negotiation and management.
- e. Cross-sector coordination for Living Life with Dignity: review and validation of the pertinence of interventions at the community level; and community campaigns in education, health and nutrition.

2.11 The community projects will finance:

- a. Community economic initiatives: integral community economic development projects for farming and livestock products (large and small animals), forest products (timber and non-timber), herbal products, and the products of beekeeping, fish farming, and flower growing; cultural-based textiles and crafts; and community tourism facilities, in clusters of subregional and regional scale.
- b. Environmental improvement: support for biological pest control; increasing soil fertility; restoration of lagoons, wetlands and landscapes; restoration of fields and terracing; forestation and reforestation; restoration of ancestral systems and forms of irrigation; community action for biodiversity conservation; management and administration systems for water, watersheds and decontamination; recovery of native species and biodiversity; development of environmentally sound farming and livestock practices; and conservation of water sources.
- c. Social and productive infrastructure and equipment: refurbishment of dwellings (supply of materials); construction of micro-irrigation channels;

latrines, septic tanks and other individual wastewater disposal systems; construction of *atajados* (farm ponds or water collection basins for livestock), culverts, protection for road cuts and embankments (rock-cage walls, vegetation cover, etc.) and bridges; construction of silos and crop storage facilities; creation of public cisterns or individual drinking water connections; provision of alternative energy; and construction of irrigation systems.

**b. “Comunidades Recíprocas” subcomponent**

- 2.12 This subcomponent will finance pilot projects under the integral community development intervention model for urban areas, and the corresponding pilot programs in the following types of projects: promotion of community economic initiatives; social and productive infrastructure; environmental improvement and strengthening human capacities and community self-management. The activities under this subcomponent will be defined in light of the studies to be financed by technical cooperation project BO-T1021, and incorporated into the program Operating Regulations (OR).

**c. Technical assistance and investment monitoring**

- 2.13 In addition to the investments mentioned in paragraphs 2.9 and 2.10, the program will finance technical assistance and monitoring of direct investments and regional and/or subregional technical assistance operations, as described below.
- 2.14 *Technical assistance and monitoring of direct investments.* This subcomponent will finance supplemental activities to enhance project execution, such as: (i) training for regional and subregional organizations in project execution, management, and operations; (ii) community-based organization and community development; (iii) preinvestment expenditures for project preparation, especially at the regional and subregional levels, given their size and complexity; and (iv) contracting for supervision and support of community-based organizations during execution of their projects.
- 2.15 *Technical assistance operations* to finance investment opportunity studies to identify regional or subregional projects in the program’s three target areas. These studies will take the form of consulting engagements contracted under terms of reference previously agreed upon between the executing agency and the Bank.

**3. Component 3. Program monitoring and evaluation (US\$700,000)**

- 2.16 This component will finance construction of the information baseline for monitoring and evaluating the program in beneficiary communities; development, implementation and maintenance of the information system for planning, monitoring and evaluation of the program, which will be part of the National Development Planning System now being implemented by the MPD; midterm and final evaluations, and operational and financial audits of the program.

#### **4. Program management (US\$558,000)**

- 2.17 The government has decided to assume the costs of program administration with local counterpart funds. These costs include salaries of the program's national coordination team and operating expenses both for the national team and the regional teams (see paragraphs 3.5 to 3.7).

#### **C. Dimensioning**

- 2.18 The program has been dimensioned in light of the government's decision to establish pilot projects in three rural regions and one urban district where poverty is extreme. This intervention has been targeted on the basis of the FIVIMS and the Poverty Map of Bolivia, prepared on the basis of the 2001 Population and Housing Census, which identifies the most vulnerable municipios where the extremely poor population accounts for more than 90% of the total (see paragraphs 3.20 to 3.23).
- 2.19 The "*Comunidades en Acción*" subcomponent was then dimensioned on this basis. Investments for integral community development will cover about 450 community projects, for up to US\$13,000 each; nine subregional projects of US\$50,000 each; and three regional projects of US\$100,000 each. The "*Comunidades Recíprocas*" subcomponent will be dimensioned in the course of its design, financed by the technical cooperation project BO-T1021.

#### **D. Cost and financing**

- 2.20 The estimated total program cost is US\$10,558,000. Of that amount, US\$10 million will be financed by the Bank with resources from the Fund for Special Operations (FSO), with the local counterpart contribution financing the remaining US\$558,000, according to the breakdown shown in Table II-2.

Table II-2. Program Cost Table				
Categories	IDB/FSO	Local	Total	%
1. Institutional Development	170,000	0	170,000	1.6%
1.1. New Institutional Framework for Social Protection	50,000	0	50,000	0.5%
1.2. Methodology and instruments for community and sectoral articulation	70,000	0	70,000	0.7%
1.4 Social Policies Observatory	50,000	0	50,000	0.5%
2. Investments in Integral Community Development	8,815,000	0	8,815,000	83.5%
2.1. <i>Comunidades en Acción</i>	6,675,000	0	6,675,000	63.2%
2.2. <i>Comunidades Recíprocas</i>	1,500,000	0	1,500,000	14.2%
2.3. Technical assistance and monitoring of direct investments	540,000	0	540,000	5.1%
2.4. Regional technical assistance	100,000	0	100,000	0.9%
3. Monitoring and Evaluation	700,000	0	700,000	6.6%
3.1. Construction of the baseline	100,000	0	100,000	0.9%
3.2. Development, implementation and maintenance of the information system	200,000	0	200,000	1.9%
3.3. Midterm and final evaluations	200,000	0	200,000	1.9%
3.4. Audit	200,000	0	200,000	1.9%
4. Program administration	0	558,000	558,000	5.3%
4.1. National Coordination Team	0	258,000	258,000	2.4%
4.2. Operating expenses of the National Team	0	100,000	100,000	0.9%
4.3. Operating expenses of the Regional Teams	0	200,000	200,000	1.9%
5. Contingencies	50,000	0	50,000	0.3%
<b>Subtotal Components</b>	<b>9,735,000</b>	<b>558,000</b>	<b>10,243,000</b>	<b>97.0%</b>
5. Financing costs	265,000		265,000	2.5%
5.1 Interest	130,000		130,000	
5.2. ISF - 1%	100,000		100,000	0.9%
5.3. Credit fee - 0.5%	35,000		35,000	0.5%
<b>Total</b>	<b>10,000,000</b>	<b>558,000</b>	<b>10,558,000</b>	<b>100.0%</b>

### III. PROGRAM EXECUTION

#### A. Borrower, guarantor, and executing agency

- 3.1 The borrower will be the Republic of Bolivia, and the executing agency will be the Ministry of Development Planning (MPD), acting through a program executing unit (PEU) within its General Directorate of Planning (DGP). To streamline program execution and deliver services directly to beneficiaries, the PEU will establish regional units that will work in coordination with the prefectures, municipios, and community organizations involved in the program. This mechanism will be refined through design of the institutional framework for the PSDIC policy, to be developed and implemented as part of the program.

**B. Principal functions of the executing agency**

- 3.2 The PEU will be responsible for implementing the program, and will coordinate all program activities: (i) monitoring of program objectives; (ii) compliance with the program Operating Regulations (OR); (iii) efficient management of resources; (iv) technical assistance to beneficiary communities under the program; (v) periodic progress reports to the Bank; (vi) maintenance of separate financial accounts indicating sources and uses of funds, as well as internal control procedures; (vii) cross-sector coordination with the line ministries and with other financial institutions and donors involved in the program; (viii) publicity for the program; and (ix) program evaluations and audits.
- 3.3 The PEU will comprise the National Coordinator's Office, the "*Comunidades en Acción*" Unit and the "*Comunidades Recíprocas*" Unit, and the regional (departmental) offices. **Establishment of the PEU and board of directors, and appointment of the coordinators and technical team responsible for program execution will be conditions precedent to the first disbursement under the program.**
- 3.4 The MPD will invite representatives of the social- and productive-sector ministries and delegates from civil society organizations representing the beneficiary population to serve on a board that will function as the program's supreme cross-sector consultation and coordination body.
- 3.5 The National Coordinator, to be appointed by the MPD, will have operational responsibility for overall execution and administration of the program, and will: (i) oversee compliance with the rules and provisions of the loan contract and applicable national legislation; (ii) represent the country in dealings with the IDB; (iii) formulate annual operating plans; and (iv) take any steps needed to keep the program on track and to achieve its objectives.
- 3.6 Under the national coordinator's direction, the *Comunidades en Acción* Unit and *Comunidades Recíprocas* Unit will be responsible for the efficient operation and execution of their respective subcomponents. One manager for each unit will oversee and coordinate a technical team.
- 3.7 At the decentralized level, the PEU will have regional offices, one for each target department, which will report to the *Comunidades en Acción* manager. Each of those offices will be headed by a manager, who will oversee the technical teams for promotion, project formulation, execution and monitoring. **Establishment of the regional offices and appointment of the regional technical team will be a condition precedent to disbursement of component 2 of the program.**
- 3.8 The Regional Manager will coordinate work with the prefectures (which will provide logistical support), with the participating municipios, and with other public and private entities, to coordinate planning and implementation of interventions. The prefectures will also support the Regional Operating Units with technical teams, for supervising the execution of projects.

**C. Program execution**

- 3.9 Program execution will be governed by the OR, which will contain the terms and conditions applicable to each component of the program, and the duties and obligations of the various parties involved in its execution. **Entry into force of the program's OR and the annexes thereto, consistent with models previously agreed upon with the Bank, will be a condition precedent to the first disbursement of funds.**
- 3.10 The PEU will agree with the Bank on an implementation plan for the Institutional Development Component for the first two years of program execution. This will specify the objectives, targets, budget and annual schedule of activities, the consulting services required, the terms of reference for contracting them, the bidding documents, and the monitoring and evaluation mechanisms.
- 3.11 **Component 2. Investments for integral community development. "Comunidades en Acción" subcomponent.** Consistent with the intervention model to be tested through this program, community organizations at different levels (central, subcentral, and community), supported by the PEU, prefectures, municipios and social agencies, will identify and prioritize projects that meet their needs, using a participatory self-managed planning approach.
- 3.12 The methodology for the community participatory planning process will accomplish at least the following: (i) identification of needs; (ii) identification of interventions; (iii) whether a cross-sector approach is needed; (iv) inclusion in terms of gender, generational, and cultural issues; (v) identification of self-imposed conditions, focusing on health and/or education and/or food security and/or farm productivity; and (vi) works management and processes including maintenance of works and investments.
- 3.13 The projects may have a regional dimension, if they benefit all or a majority of the communities in the entire region; they may be subregional, if they serve a group of municipios or communities within the region, and also benefit the majority of communities; and they may be community projects, as the smallest unit of intervention. **Submission of the model agreements to be signed with communities, civil society organizations, NGOs or municipios, for the Bank's no objection, will be a condition precedent to the first disbursement of resources under program Component 2.**
- 3.14 The prioritized projects will be formulated with the support of regional technicians from the PEU, working together with the community organizations, on the basis of project formulation guidelines and standard designs to be financed by technical cooperation in support of the program. These projects will be subjected to both social and technical evaluations.
- 3.15 For the social evaluation, the community organization at the relevant level will determine the project's relevance and social viability, including the proposed self-imposed conditions that must be met, coordinating as appropriate with

- representatives of the sectors, municipios, prefectures and other local organizations. The approved project will then go on to the technical evaluation, to be performed by the central PEU on the basis of parameters for measuring cost-effectiveness and rate of return, as appropriate (see paragraph 3.22). Once the legal formalities have been completed, the PEU will sign a financing agreement with the beneficiary organizations, establishing the responsibilities and obligations of both parties. Signature of the specific agreements will be an eligibility requirement for projects to be financed by the program.
- 3.16 Projects will be executed by the community organization itself, through service delivery contracts or on force account, depending on the complexity of the project. To this end, the community organizations will receive training and advisory support from the PEU regional teams and project supervisors in resource management, project execution, and procurement and contracting procedures. Before project execution begins, the community will hold a general assembly to elect a Project Execution Committee (PEC) comprising at least three community members, of which at least one must be female.
- 3.17 The OR will detail the operating rules of the PEC for executing projects, administering and accounting for funds, and supervising works.
- 3.18 The PEU will ensure that all projects requiring infrastructure maintenance are conducted under the applicable regulatory framework and, as appropriate, agreements between the communities and the relevant agencies or entities, specifying the parties' commitments and responsibilities. The PEU will oversee compliance with the maintenance plans as part of the project monitoring system. **In the case of projects with cross-sector or cross-agency activities, signature of the agreement with the corresponding ministry, prefecture or municipio is a condition precedent to the disbursement of funds for works, procurement of goods, and contracting of services for the corresponding project.**
- 3.19 **Component 2. Investments for integral community development. “Comunidades Recíprocas” subcomponent.** For projects under this component, targeted at urban communities, the execution procedure will be the same as that used in the rural communities, in that execution is the responsibility of the urban community organization itself. Once the intervention model is designed (see paragraph 3.44), the Bank and the PEU will agree on eligibility rules, eligible activities, and specific execution mechanisms, which will be included in the OR. For this approach, agreements will have to be signed with the beneficiary communities and, in the case of cross-sector or cross-agency activities, with the ministries, prefectures or municipios involved.
- 3.20 **Component 3. Program monitoring and evaluation.** For this component, the PEU will agree with the Bank on an implementation plan that will specify the budget and the quarterly work schedule, as well as the terms of reference for contracting services for the procurement of equipment necessary for execution of this component. The design of the program monitoring and evaluation information

system, including identification of the information and its sources for constructing the baseline, will be financed through an FSO technical cooperation project that will support other activities in preparation for program eligibility (see paragraph 3.44 and 3.45). Construction of the baseline of information for monitoring and evaluating the program is part of the project preparation work of the beneficiary communities. To guarantee the availability of this information, the PROPEF (Project Preparation and Execution Facility) that will be prepared to help the PEU meet the disbursement conditions (see paragraph 3.46) will include funds for a survey in communities where the program will operate during its first year. Given the relative complexity of the program's innovative elements, this evaluation will include specific indicators and mechanisms to measure the extent to which the objectives set in paragraph 1.21 are met.

**D. Operating Regulations for program execution and project eligibility**

- 3.21 The program focuses in its pilot stage on three rural areas and one urban zone, taking into account the FIVIMS and the Poverty Map of Bolivia prepared on the basis of the 2001 Population and Housing Census, and additional information on production, according to the procedure described below.
- 3.22 The FIVIMS classifies municipios and communities into five categories of vulnerability (1, lowest, to 5, highest). The variables used relate to road access, markets, income per capita, occupation, professionally assisted childbirth, institutionalized childbirth, access to drinking water, sewage connections, male and female illiteracy, male and female school attendance (4 to 19 years), electricity, and area of farmland at risk of drought and flooding. The groups at greatest risk will be those classified under categories 4 and 5. The Poverty Map defines extreme poverty as consumption below the poverty line in Bolivia.
- 3.23 Taking the municipal level as the base, because the available information corresponds to that administrative unit, the MPD has combined the Extreme Poverty and Vulnerability stratification to identify the most vulnerable municipios (categories 4 and 5) with extreme poverty ratios exceeding 90%. For targeting program interventions an additional criterion is geographic continuity, to respect territorial social and cultural ties among beneficiary groups.
- 3.24 The basic eligibility criteria for projects will be as follows: (i) when sector ministries, prefectures and municipios are involved in the project, the executing agency has entered into the relevant interagency agreements, and such agreements have entered into effect prior to any procurements of works, goods, or services; (ii) the communities can demonstrate that they own the land on which works are to be built, under Bolivian laws and regulations in force; (iii) the communities involved have participated actively in the self-managed planning process, and certify that the project document has been prepared with broad participation and has community support; (iv) the project activities are in line with the guidelines, objectives and policies of the specific sector; (v) the project demonstrates social, technical, environmental, economic and financial viability (where required), as well

- as sustainability; (vi) the project identifies and reflects the self-imposed commitments made by beneficiary community organizations, as well as their programming and oversight mechanisms for their fulfillment.
- 3.25 To implement these criteria, the PEU will prepare a community-focused guide to project eligibility to better enable community organizations to self-manage integral community development projects.

**E. Procurement**

- 3.26 The program covers the procurement of goods and works and the contracting of consulting services. Procurement will respect the provisions of the “Policies for the procurement of works and goods financed by the IDB” (document GN-2349-7) and “Policies for selection and contracting of consultants financed by the IDB” (document GN-2350-7).
- 3.27 The executing agency has prepared a tentative procurement plan that will be updated regularly, or whenever there are substantial changes, covering the first 18 months of program execution. Any revisions to this plan will be presented for the Bank’s approval. The valid version of the procurement plan will be available at all times, in accordance with Bank policies.
- 3.28 International competitive bidding will be required for the procurement of works and goods in amounts of US\$3 million or more and US\$200,000 or more, respectively. For amounts below US\$250,000 in the case of works, and below US\$50,000 in the case of goods, the shopping method may be used. Short-lists consisting solely of national firms may be used for contracting consulting services where the contract amount is under US\$200,000.
- 3.29 **Review by the Bank.** The Bank will apply the prior review procedure for all procurement transactions, as stipulated in Appendix I of documents GN-2349-7 and GN-2350-7. However, at the request of the borrower and after a prior evaluation of the procurement and contracting system used by the PEU for the program, the Bank may authorize the post review procedure, in accordance with that Appendix, for contracts below the thresholds set for each type of procurement.
- 3.30 **Procurement plan.** Before issuing any calls for tender or requests for proposals, the borrower will present for the Bank’s approval and review a procurement plan covering 18 months, and including cost estimates of the contracts, sources of financing, the grouping of transactions, contracting methods by transaction, and applicable procedures. As stipulated in the policies cited in paragraph 3.24, the borrower will present for the Bank’s review and approval an annual update of this plan, covering 18 months. All procurement transactions will be conducted in accordance with the most recent update of the procurement plan approved by the Bank.
- 3.31 **Force account.** Consistent with paragraph 3.8 of document GN-2349-07, works that are small and scattered or in remote locations, and for which qualified

construction firms are unlikely to bid at reasonable prices, will be done on force account.

3.32 **Single-source selection.** Recognizing the small amounts that will be transferred to the communities, single-source selection may be used, pursuant to paragraphs 3.9 to 3.13 of document GN-2350-7, when contracting the services of financial institutions for transferring funds to communities that will undertake works on force account.

3.33 **Maintenance.** The borrower will maintain works and goods procured with the loan proceeds in accordance with generally accepted technical standards. Consequently, it will: (i) include provisions to ensure the maintenance of works and goods in agreements entered into by the executing agency with public agencies or private enterprises in relation to program execution, and deliver to the Bank, in the first quarter of each calendar year for up to three years after program completion, a report describing the condition of the works and goods and maintenance done during the previous year by the parties responsible for such maintenance. In the event that inspections by the Bank or the reports it receives determine that the works or goods are being maintained below the agreed levels, the borrower will take such action as is necessary to correct the defects.

#### **F. Execution period and disbursement schedule**

3.34 Program funds will be committed over 30 months. The commitment period for resources to finance works under program Component 2 will be 24 months, running from the date of the declaration of eligibility for the first disbursement. The disbursement period will be 36 months, running from the effective date of the loan contract. The tentative disbursement schedule is given in Table III-1.

<b>Table III-1</b>					
<b>Estimated Disbursement Schedule (US\$)</b>					
<b>Source</b>	<b>Year 1</b>	<b>Year 2</b>	<b>Year 3</b>	<b>Total US\$</b>	<b>%</b>
<b>IDB</b>	2,000	4,500	3,500	10,000	94.71%
<b>Local</b>	100	200	258	558	5.29%
<b>Total</b>	2,100	4,700	3,758	10,558	100%
<b>%</b>	20%	45%	35%	100%	

#### **G. Revolving fund**

3.35 A revolving fund will be established for deposit in a specific bank account that the borrower has arranged for the program. In light of the projected flow of funds for executing activities and contracts, it is recommended that the revolving fund be established in an amount up to the equivalent of 5% of the loan. Six months into program execution, the pace of execution will be evaluated to see whether that percentage should be increased. The PEU will present the Bank with semiannual

situation reports on the revolving fund, within 60 days after the close of each six-month period.

#### **H. Special conditions precedent to the first disbursement**

- 3.36 In addition to the general conditions precedent to the first disbursement, as established in the General Rules for the Loan Contract, the PEU will provide evidence to the Bank that the following special conditions precedent to the first disbursement have been met: (i) establishment of PEU and board of directors, and appointment of the coordinators and the technical team responsible for program execution; (ii) establishment of the regional offices and appointment of the regional technical team; (iii) entry into force of the program OR and the respective annexes, following models previously agreed with the Bank; and (iv) presentation, for the Bank's no objection, of the model agreements to be signed with communities, civil society organizations, NGOs or municipios. A signed agreement with the specific beneficiary community and, in the case of projects with cross-sector or cross-agency activities, signed agreements with the corresponding ministries and/or prefecture and/or municipio will be a condition precedent to disbursement of funds for works, procurement of goods, and contracting of services for the project in question.

#### **I. Physical and financial monitoring, accounting records, and audit**

- 3.37 The PEU will be responsible for signature and administration of all contracts for works, goods and services, and for making and recording the payments flowing from those contracts, as well as for maintaining financial accounts on transactions and disbursements during program execution.
- 3.38 The PEU will present six-monthly progress reports to the Bank on program execution. Those reports will provide information on financial execution, actions and activities completed, outputs and targets achieved, and the principal limitations and problems encountered, with solutions for overcoming them. The format of this report will be agreed in advance with the IDB Country Office.
- 3.39 The PEU will establish and maintain separate and adequate accounts and records, in accordance with generally accepted accounting practice, and will establish independent review and internal control mechanisms to guarantee compliance with the OR and the conditions of the loan contract. These accounting systems and records will be subject to review during the program audits. Financial statements will be submitted to the Bank within the time limits established in the Specific Conditions and General Rules of the loan contract, in accordance with the timetable indicated above.
- 3.40 During program execution, the borrower will present annual financial statements for the program, through the PEU. The external audit of the program will be performed by a firm of independent auditors acceptable to the Bank, in accordance with Bank requirements (documents AF-100 and AF-300). The standard procedures established in the bidding documents for external audits (document AF-200) will be

used in selecting and contracting the firm, and the audit will be conducted on the basis of the guidelines established in the terms of reference for the external audit of IDB-financed projects (document AF-400), previously approved by the Bank. The annual financial statements for the program will be submitted within 120 days after the end of the fiscal year, and the closing financial statements will be submitted within 120 days of the last disbursement. Audit costs will be part of the program costs and will be financed by the loan.

- 3.41 **Operational and financial audit.** Pursuant to Article 7.03(a)(iii) of the General Conditions of the loan contract, during program execution the executing agency will deliver to the Bank the program's annual financial statements, duly audited by an independent audit firm acceptable to the Bank and consistent with Bank requirements. The independent audit firm will be selected and contracted in accordance with Bank policies (document AF-200) and paid with program resources. The executing agency will also deliver a six-month interim operational and financial audit report to the Bank within 60 days after the close of the first half of each year during program execution. This interim report will also be duly audited by the independent firm described above, in accordance with Bank policies.
- 3.42 **Operational audit.** The executing agency will also deliver to the Bank, within 60 days after the close of the fiscal year, an operational audit report on the program prepared by the same independent audit firm.

**J. Support for program execution**

- 3.43 Recognizing the Bolivian government's interest in having the results from the experiments financed by this loan promptly available for use in defining its longer-term approach to the social safety net, technical cooperation will be provided to support finalization of the program's administrative design and organization: that TC will include an operation financed from the Finnish Fund, an operation financed from the FSO, and an operation under the Project Preparation and Execution Facility (PROPEF) to help in organizing the PEU and getting the program underway.
- 3.44 **The first TC operation will finance:** (i) definition of the intervention model in urban communities; (ii) finalization of the OR; (iii) definition of the methodology to be used for monitoring and evaluating the program; (iv) definition of the baseline indicators and the methodological criteria for measuring them; and (v) design of the institutional framework for the policy of social protection and integral community development, to be implemented during program execution. Preliminary results of these consulting studies will be ready in the first quarter of 2007.
- 3.45 **The second TC operation will finance:** (i) final and detailed definition of the integral community development model; (ii) review and validation of the methodological criteria and instruments used for the identification, eligibility and prioritization of intervention areas; (iii) the compiling of information for the baseline on beneficiary communities; (iv) design of the program's environmental management model; (v) definition of criteria for the formulation and the technical,

economic and social evaluation of standard projects; and (vi) systematic methodological criteria for accessing regional, subregional and community demand and community self-managed planning. The preliminary results of this work will be ready at the beginning of the second quarter of 2007.

- 3.46 Finally, to facilitate execution and support the executing agency in designing and organizing its operational structure, once the loan is approved a PROPEF will be established, in the amount of approximately US\$500,000, to support program execution. The PROPEF will finance: (i) procurement and contracting of the services necessary for establishing the PEU and decentralized units; and (ii) identification and preparation of investment projects in beneficiary communities.

#### **K. Program evaluation**

- 3.47 The program will be subjected to a midterm and a final evaluation that will consider the demographic, socioeconomic and administrative databases on communities and beneficiaries. The work of preparing the program in the beneficiary communities will therefore include compilation of the baseline, in light of those databases; this will be done before the startup of the investment projects to be financed under the second component of the program. The final design of the program evaluation methodology will be financed by technical cooperation funded from the FSO (see paragraph 3.44). In general terms, that methodology will make use of administrative records from local social agencies (schools and health centers), and primary information collected from the communities with specific survey tools, covering socioeconomic conditions, perceptions of living conditions, and specific aspects relating to the investments and indicators of compliance with the self-imposed conditions.
- 3.48 **Midterm evaluation.** Consistent with the principles of an innovation loan and the short execution period for the program, and with the objective of making effective use of the midterm evaluation results to refocus program activities if necessary, the midterm evaluation will be done 12 months after the date on which the program is declared eligible for disbursements, or once 50% of the program resources have been disbursed, whichever occurs first. That evaluation will examine, among other things: (i) the achievement of program objectives, in light of the targets agreed in the logical framework; (ii) the quality of the projects and the effectiveness of the evaluation system and disbursement procedures; (iii) management of the revolving fund and the substantiation of expenditures; (iv) application and observance of the rules and procedures in the OR and the loan contract; (v) procurement procedures; (vi) functioning of the PEU's internal control, financial and accounting information systems; (vii) the level of coordination and articulation achieved among participating agencies and problems encountered in program execution; and (viii) the degree of satisfaction among beneficiaries with the works and services provided.

- 3.49 **Final evaluation.** A final evaluation of the program will be conducted six months prior to completion of the investment financing component. The scope and methodology of that evaluation will be agreed between the MPD and the Bank during the first year upon receipt of the final methodological proposal prepared with the FSO-financed TC operation (see paragraph 3.44). The purpose of that final evaluation will be to measure the impact on living conditions in beneficiary communities, with a particular focus on indicators measuring compliance against the self imposed conditions listed in paragraph 2.5 and in the program's Logical Framework (Annex I). The final evaluation report will also analyze the social, institutional and financial sustainability of the program and the social, environmental, economic and financial sustainability of the projects financed by it.
- 3.50 The final evaluation, like the midterm evaluation, will be conducted by a firm of independent consultants acceptable to the Bank, contracted by the PEU with program funds.

#### IV. VIABILITY AND RISKS

##### A. Institutional viability

- 4.1 Because one of the objectives of the program is to test the self-managed community planning model for possible expansion on the basis of lessons learned from this operation, steps were taken during program preparation to develop capacities within the DGP to manage and coordinate effectively the technical, operational and financial aspects of the loan.
- 4.2 The government plans to create a unit to implement the PSDIC policy and to coordinate social protection activities both across sectors and at the different levels of public administration (national, prefectural, and municipal). The loan will finance technical assistance to help the MPD institutionalize the government body responsible for social protection at the national level.
- 4.3 For preparing this loan, the DGP has formed a central technical team that will constitute the core of the executing unit to be created for implementing the program (see paragraph 3.3). As well, it is expected that the three decentralized regional units will bolster the impact of the actions financed because they are well equipped to ensure liaison and foster cooperation at the departmental, municipal and community level so as to guarantee the long-term sustainability of these investments.
- 4.4 **Program execution support instruments.** To help the DGP with the pre-investment studies needed to formulate projects for financing, and consistent with the conditions precedent to the first disbursement under the program, a TC operation will be financed from the Finnish Fund and another from the FSO, as well as a PROPEF (see paragraph 3.44 to 3.46).

## **B. Socioeconomic viability**

### **1. Social viability**

- 4.5 **Community participation and social capital.** The program is expected to have a positive social impact in that its strategy is based on a highly participatory model whereby communities are mobilized to identify the problems they face, to select from among alternative solutions, to manage the execution of works and services, and to administer funds with self-imposed commitments to social development goals. The proposed intervention model calls for a broad-based participatory process in the beneficiary communities. It may be noted that the effects of the Popular Participation Law in Bolivia have now spread to the majority of rural and urban communities, which are now forming themselves into municipios. Those communities now reveal a high degree of mobilization, participation and capacity for self-management, representing initial social capital that will serve as the basis for advancing and consolidating the participatory process.
- 4.6 **Gender aspects.** The program is also expected to have a positive impact on gender issues, as it will promote women's participation at all stages of project identification, preparation and execution. Health activities will improve sanitation and nutrition for the population in general, and for mothers and children in particular, while education activities are designed in part to reduce the enrollment gap between boys and girls. Integrated into a clear coordination plan, these measures will go even further in reducing gender inequalities.
- 4.7 **Social inclusion and indigenous peoples.** The three targeted investment regions have a high percentage of indigenous peoples in their population (see paragraph 1.4), and they constitute the bulk of beneficiaries under the program. The preliminary diagnosis of their situation took account of their characteristics and their cultural diversity, which will be incorporated into the design of the interventions, in accordance with the Bank's operational policy on indigenous peoples (OP 765).

### **2. Economic viability**

- 4.8 The analytical parameters for determining the economic viability of the projects to be financed by this operation will be defined by consultants under the FSO-financed TC operation (see paragraph 3.44). Those parameters will include the suitable dimensioning of projects and, where relevant, the analysis of least-cost alternatives. In the specific case of water and sanitation projects, they will be kept consistent with other projects underway in the country, and cost ceilings per beneficiary will be adopted.
- 4.9 Productive projects will be analyzed in terms of their business plan, with particular attention to the following aspects: (i) market access and product prices; (ii) expected productivity, in light of the technology used and the capacity of the land, where relevant; and (iii) production costs, including inputs and technical assistance. This information will be taken as the basis for a cost-benefit analysis at

market prices. Using a sample of projects, an expected Internal Rate of Return will be defined, with due regard to the precarious socioeconomic conditions of the beneficiary areas and populations and the program's short execution period (30 months).

- 4.10 In order to serve a greater number of people in these areas, investment ceilings will be established for individual communities, subregions, and regions.

**C. SEQ and PTI classification**

- 4.11 This operation qualifies as a poverty-targeted investment (PTI) and as a social equity enhancing project (SEQ), as described in the indicative targets mandated by the Bank's Eighth Replenishment (document AB-1704). The PTI classification is based on the program's geographic targeting, whereby program activities are directed to the poorest areas of the 31 municipios where more than 70% of the population live in extreme poverty (see paragraphs 2.a and 3.20 to 3.23).

**D. Financial viability**

- 4.12 Because this is an innovation loan, the financial viability of investments will be evaluated ex post. The final evaluation of the program will include an analysis of investment sustainability in its multiple dimensions: social and economic, fiscal, financial and environmental (see paragraph 3.49), including sustainability of the operation and maintenance of the works financed. The results of that evaluation will be taken into account in preparing a possible investment loan for expanding the program.

**E. Environmental impact**

- 4.13 The program is expected to have positive environmental impacts, in that it will promote environmental improvement efforts in beneficiary communities. At the same time, in order to minimize any temporary negative environmental fallout from interventions, TC funding will be used for designing the program's environmental management model (see paragraph 4.8). That model will define the environmental eligibility criteria for projects to be financed under each investment group, as established in the OR. The program will also finance a broader environmental assessment to define investments more accurately in case it is decided to expand the program.
- 4.14 The proposed investments are based on the concept of environmental restoration: the program calls for direct financing of environmental recovery projects in these areas, as well as infrastructure projects and health and environmental education intended to improve living conditions for these people by mitigating man-made environmental liabilities. Environmental improvement will involve small projects of local impact and easy mitigation such as small-scale water and sanitation systems, environmental recovery, and erosion control. The technical criteria for the environmental evaluation of projects will be consistent with other Bank operations in Bolivia, such as the Sanitation Program for Small Communities (loan BO-L1013).

## **F. Benefits and Beneficiaries**

- 4.15 The main benefit of the program is to improve living conditions for the beneficiary population, and to enhance the overall quality of the environment in the communities and localities hosting the investments. It is estimated that the program as a whole will reach roughly 90,000 direct beneficiaries belonging to some 450 rural communities in the program's three rural intervention areas. In the case of the urban communities of El Alto, the pilot project is expected to benefit around 2800 people.
- 4.16 The expected benefits include an improvement in living conditions for these families, in terms of environmental and sanitary conditions in their communities, the quality of schools and health facilities, and the productive capacity of these areas. Farming and small-scale livestock projects are expected to improve the nutritional balance of families in the beneficiary communities. The health posts will monitor the height and weight of children under six years to determine whether the expected nutritional impact has been achieved for this group.
- 4.17 The regional and subregional productive projects are expected to foster synergies and to mobilize resources from other sources in order to generate sufficient economic dynamism to lift these regions out of their current situation of relative poverty.
- 4.18 Additional benefits are expected to flow from introduction of an innovative mechanism for establishing self-conditioned commitments on the part of the communities, with the goal of addressing their major problems and thereby improving selected social indicators. With these commitments, and monitoring of the agreed targets, these communities are expected to consolidate and strengthen their self-management capacity and thereby reduce their vulnerability and their dependency on government programs.
- 4.19 By the end of the program, models are expected to have been tested, revised, validated and redesigned for interventions in poor rural and urban communities. Methodological, technical and analytical tools should also have been developed, on the basis of which more appropriate intervention strategies will have been defined for expanding the program to other areas of the country, and in particular to urban communities.

## **G. Risks**

- 4.20 **Institutional.** One risk to this operation is that, because the DGP is a new government agency with no experience in executing internationally financed projects, there will be delays in meeting the conditions precedent to the first disbursement, and in program execution itself, recognizing that the innovation loan approach limits the execution period to 30 months. To minimize this risk, technical cooperation will be provided through the Finnish Fund in the amount of US\$60,000, and an FSO-financed TC is being processed for US\$150,000. Once the

loan is approved, a PROPEF will be prepared to help implement the program (see paragraphs 3.43 to 3.46).

- 4.21 **Geographical unit of intervention.** Another risk to the program is that the new geographic structure proposed by the government as part of the intervention model, whereby individual communities, and not the municipios, take the lead in defining, preparing, executing and monitoring projects and programs, will fragment the decision-making process and lead to inefficiency and ineffectiveness in the allocation and use of public funds. To address this risk, the program includes funding to promote cross-sector coordination, primarily in health and education, and cross-agency coordination between the different levels of public administration, such as prefectures and municipios. The intent is to ensure that these stakeholders participate actively in the planning process at the regional, subregional and community level, and to rationalize public investment and allocate it more efficiently.

**SOCIAL SAFETY NET AND INTEGRAL COMMUNITY DEVELOPMENT PROGRAM  
(BO-L1012)  
LOGICAL FRAMEWORK**

<b>Objectives Narrative summary</b>	<b>Indicators</b>	<b>Means of verification</b>	<b>Assumptions</b>
<b>Goal</b>	<b>Impact indicators</b>		<b>Goal to supergoal</b>
To help improve living standards for the extremely poor in three rural regions and one urban district of Bolivia.	Beneficiary communities show improvements in their socioeconomic conditions, according to selected indicators (health, education, food security and incomes) compared to conditions before the project.	Midterm and final program evaluation reports.  Surveys of socioeconomic conditions and beneficiaries' perceptions.  Administrative records.	The government continues to provide leadership and the ministries, prefectures, municipios and community organizations remain committed to articulating integral interventions in the framework of the social safety net and community development.
<b>Objective</b>	<b>Indicators of direct effects</b>		<b>Purpose to goal</b>
To develop new intervention models designed to strengthen the self-management capacity of communities and to provide the institutional framework for implementing policies for social protection and integral community development.	At the end of the program:  80% of participating rural and urban communities are self-managing their integral community development projects and are meeting their self-conditioned commitments in health, education and/or food security.  80% of participating communities show increased user satisfaction with the accessibility and supply of organized social services.  The institutional framework for the policy of social protection and integral community development is legally formalized and implemented.	Reports from the Program Monitoring and Evaluation System.  Midterm and final program evaluation reports.  Surveys of beneficiary perceptions.  Administrative records.	

Objectives Narrative summary	Indicators	Means of verification	Assumptions
Components/Outputs	Component/Output indicators		Component/Outputs to purpose
<b>1. Institutional development</b>			
To establish and implement the institutional framework for social safety nets and integral community development.	<p>Legal framework and methodological tools for implementing policies are legally formalized and implemented.</p> <p>Methodology, procedures and operating tools for cross-sector and cross-agency community mobilization and coordination are identified and developed.</p> <p>The Social Policies Observatory is established and operating.</p>	<p>Legislation promulgated and in force.</p> <p>Program execution reports.</p> <p>Midterm and final program evaluation reports.</p> <p>Operational and financial audit reports.</p> <p>Act establishing the Observatory.</p>	
<b>2. Integral community development</b>			
<p>Subcomponent 2.1 <i>Comunidades en Acción</i></p> <p>To strengthen rural communities comprehensively in their economic, human, social, physical and natural capacities, with cultural and territorial identity.</p> <p>Subcomponent 2.2 <i>Comunidades Recíprocas</i></p> <p>To strengthen urban communities comprehensively in their economic, human, social, physical and natural capacities.</p>	<p>At least 150 pre-investment studies for social infrastructure and rural production clusters completed in the first six months of the program.</p> <p>At least 400 community projects, 7 subregional projects and 2 regional projects implemented.</p> <p>100% of organized communities that have received investments have been assisted by the program in self-management, participatory planning, monitoring and articulation with public and private institutions.</p>	<p>Program monitoring and evaluation system.</p> <p>Program execution reports.</p> <p>Midterm and final program evaluation reports.</p> <p>Operational and financial audit reports.</p> <p>Surveys of beneficiary perceptions.</p> <p>Works construction supervision reports.</p>	

Objectives Narrative summary	Indicators	Means of verification	Assumptions
<b>3. Monitoring and evaluation</b>			
To develop the information system for planning, monitoring and evaluating the program (SIPSEP) and put it into operation.	Baseline completed before the first disbursement for investments under Component 2 of the program.  SIPSEP implemented and issuing reports at the community level.	Program execution reports.  Midterm and final program evaluation reports.  Operational and financial audit reports.	

DOCUMENT OF THE INTER-AMERICAN DEVELOPMENT BANK

PROJECT RESOLUTION

Bolivia. Loan /SF-BO to the Republic of Bolivia  
Support for the Social Safety Net and Comprehensive Community Development Program:  
Communities in Action and Reciprocal Communities

The Board of Executive Directors

RESOLVES:

That the President of the Bank, or such representative as he shall designate, is authorized, in the name and on behalf of the Bank, to enter into such contract or contracts as may be necessary with the Republic of Bolivia, as Borrower, for the purpose of granting it a financing aimed at cooperating in the execution of a social safety net and comprehensive community development program: communities in action and reciprocal communities. Such financing will be in the amount of up to US\$10,000,000 or its equivalent in other currencies, except that of the Republic of Bolivia, from the resources of the Bank's Fund for Special Operations, and will be subject to the Financial Terms and Conditions and the Special Contractual Conditions of the Project Summary of the Loan Proposal.